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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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4 February 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

CEMA LIGHT INDUSTRY COOPERATES TO ACHIEVE PRODUCTION GOALS

CEMA Plan Coordination

East Berlin AUSSENWIRTSCHAFT in German No 35, 29 Aug 84 pp 25,26

[Text] With the goal of continually improving the material standard of living of workers, the CEMA member states develop production and scientific-technical cooperation in the areas which produce goods for consumer demand. Working together serves production growth and quality improvement of these products; it is based on the proven forms of cooperation in the area of planning activity.

Joint Prognoses

Within the framework of CEMA, prognoses are being prepared today on the countries' requirements for the most important raw materials for the textile, clothing and leather industries, and on cooperation in supplying demand (including imports from third countries), perfecting the raw material base in light industry, expanding synthetic fiber production, and ensuring the supply of raw materials and new machines for the light and woodprocessing industries between 1986 and 1990 and beyond.

An analysis by the CEMA organization Intertextilmasch showed that the nomenclature of latest technology generally followed the multilateral agreements on specialization and cooperation which were concluded in 1975 and 1976 by interested countries. In 1981, the European partner countries signed protocols on the implementation, alteration and extension of the period of validity of agreements concerning machines and equipment for the textile, apparel, and knitwear industries; during the current year, the period of validity of additional agreements was extended. The mutual obligations stemming therefrom are being met, essentially.

Within the framework of the agreement on international specialization and cooperation in the production of woodprocessing machinery and equipment for 1981 to 1985, for example, 368 lines were delivered for processing parts in furniture making. Exporters were the People's Republics of Poland and Bulgaria with 308 and 60 lines, respectively; the major importer was the USSR, receiving 302 lines.



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In the expanding cooperation for consumer goods, an important part is played by the preparation of long-term prognoses of production development and the demand for fabrics, apparel, shoes, furniture, etc, in the period 1990 to 2000. The forecasts are still to be finished in 1984; their data are incorporated in the activity of CEMA authorities for planning the division of labor in production and the growing goods exchange between fraternal countries.

As experience shows, specific areas must be taken into account in the development of cooperation. It demonstrates that production of consumer goods in every country or region must be tailored to meet conditions of climate, national traditions, fashion trends, and a number of other factors.

#### Coordination of Plans

The major form of cooperation among CEMA partners in the area of planning is the coordination of five-year plans of the national economies. In it, measures are determined for the better use of capacities, deepening of specialization and cooperation, and joint investments in projects of mutual interest. The fraternal countries negotiate bilateral and multi-lateral agreements and treaties; to be highlighted, for example, is the agreement between the USSR and the People's Republic of Bulgaria on supplying equipment for a cotton spinning mill to be constructed in Bulgaria (Maritza) with a capacity of 4,000 tons of yarn per year.

A program of cooperation is being implemented for solving the complex problems of supplying the textile industry in the Mongolian Peoples Republic [MPR] with selected raw wool types until 1985. Accordingly, new factories started up production, such as the carpet combine in Erdenet, a plant for laundering wool, a spinning mill and knitwear factory in Ulan Bator. A scientific laboratory for the wool industry was established in the MPR, and several woolprocessing plants were rebuilt and expanded. The workers in those plants are trained in European CEMA countries. In addition, factories for the production of worsted cloth, woolen fabrics, carpets, children's clothing, shoes and leather products are being constructed in the MPR.

A further example of planning coordination are two agreements on capacity expansion of the production of upholstery fabric in the PRB, SSR and CSSR, with the goal of increased supplies to the PRP, CSSR and MPR; and of furniture produced in the SSR and CSSR for export to the USSR and MPR. The agreements are in force until 1990.

In addition, agreements were signed for the production of specialized furniture, furniture veneer, synthetic furs and pelts, etc. Efforts are being made to develop scientific-technical cooperation, for instance for new types of fourth generation color television sets, improved quality of video sets and electric household appliances, refrigerators, and washing machines.

Under preparation are agreements on the specialization and cooperation of production of spare parts and accessories for color television sets, devices for their diagnosis and repair, equipment and measuring instruments for the production of color TV sets and sound recording and reproducing equipment, and expansion and extension of agreements regarding studio equipment.

The coordination of multilateral agreements within the framework of the Standing Commission for Light Industry during the period from 1981 to 1985 contains 40 subjects, the implementation of which ensures better provisioning for the CEMA countries' needs for industrial goods. Special attention was given to supplying the radio and radio engineering industry with raw materials, semifinished products, machinery and equipment, which are necessary for the increased production of finished goods.

#### Bilateral Connections

The deepening of international socialist division of labor is growing noticeably through the implementation of national programs for better satisfying the needs of the people. Qualitative changes in the investment policies of the fraternal countries also serve this purpose. Characteristically, they focus on modernization and the rebuilding of existing capacities. In the member states, about one-half to two-thirds of the investments are expended for this; in the USSR, up to 70 percent. This course also leads to guaranteeing mutual deliveries of complete installations.

In the planning coordination for the years 1981 to 1985, the rebuilding of light industry plants in the USSR was regulated through, among other things, agreements on a bilateral basis with the CSSR, GDR and Hungarian People's Republic. With the CSSR, deliveries were agreed on machines for the modernization of a leather factory in Yerevan and the shoe factory in Voroshilovgrad, expansion of the hosiery plant in Oryol and the knitwear factory in Yodin. Czechoslovak specialists assisted in the modernization of the shoe factory in Vladimir and the Moscow combine Burvestnik. According to the agreements concluded with the CSSR, several other knitwear and leather goods factories in the Soviet Union are being rebuilt. At present, additional agreements between the two countries are being prepared for the modernization of Soviet textile and leather factories.

Bilateral projects between the USSR and the GDR in the area of light industry are also extensive; they comprise 110 projects in the Soviet Union for technical modernization and capacity expansion. Of these, 80 projects are to be finished in the current term of the five-year plan. Among them are a factory for the production of classical wool carpets in Kishinev and,

also in the Moldau republic (in Ungen), a thread-making plant with a capacity of 400 million spools a year. Also projected is the modernization of clothing and shoe factories and other enterprises of light industry in the USSR, as a result of which work productivity and product quality will rise.

Bilateral cooperation is also developing between European CEMA countries and the SRV. Among other things, it concerns construction of a textile combine and several clothing factories in Vietnam. At the same time, measures are being carried out for an ever more complete supply of equipment of the light industry of this country and for raising work productivity.

#### Mutual Consultations

The coordination of plans is constantly being perfected. The corresponding program for 1986 to 1990, which was adopted at the 36th CEMA meeting, provides for a more active inclusion of the representatives of branch authorities of the member states. For example, it was decided to deal in the national economies with problems of specialization and cooperation in selected production branches; multilateral coordination of investments in projects agreed upon; and the use of the latest results of science and technology. A great many important subjects, directed toward production of high-quality goods for mass consumption, will be worked out within the framework of the standing commissions of CEMA for light industry, the radio technology and electronics industry, chemical industry, engineering industry, etc.

The expansion of relations and the complexity of the problems to be solved jointly presuppose joint consultations on fundamental questions of economic policy. CEMA partners conduct these systematically on various levels so that their conclusions can be incorporated in the preparation of national economic plans and other economic programs.

In the field of light industry, the transition to mutual consultations will be carried out in the coming years. With regard to their management and planning, experiences have been exchanged and 14 complex scientific-technical tasks were determined, among them the organization of constructing specialized industrial robots, development and use of microprocessor technology, and in addition, measures for the use of secondary raw materials and production waste in the development of technologies capable of conserving resources.

The program adopted in 1979 at the 33rd CEMA meeting for supplying the member states with industrial products for the people includes five sub-programs with 56 measures. Accordingly, by early 1984, 16 multilateral agreements were negotiated, and five more will shortly be concluded.

Multilateral consultations were held on scientific-technical problems, such as the production of various types of fabric and synthetic furs. Joint research is being carried out in the shoe industry. The standing commission for chemical industry is implementing a complex of measures for the development of synthetic fiber production, synthetic dyes and accessory materials for textiles.



Capacity expansion is being coordinated in the furniture industry. Division of labor is planned for individual products in small-scale series; the production of synthetic and auxiliary substances will be expanded, and new technologies of production and assembly of semi-finished products are being introduced.

Characteristic of the present stage of cooperation is the joint tackling of the production of new high-quality goods on the basis of standardization and unification of parts and components for color television and video sets, and for sound recording and sound reproducing equipment. Mutual understanding between the interested members states plays a great part in working out progressive technologies, specialized equipment, and control and measuring devices.

Also planned is the increase of mutual deliveries of automatic washing machines, freezers and refrigerators. All this serves increased production and exchange of goods, improved product quality and a greater range of goods.

Compared to 1980, mutual supplies of products destined only for domestic trade lines grew in 1982 by 39.5 percent. It concerned mainly leather shoes, textile clothing, home electronics products, household machines and appliances. During this period, the border-crossing goods exchange among CEMA partners rose by more than 60 percent.

Bilateral programs of specialization and cooperation of production between the USSR and the other European CEMA countries during the period up to 1990 contribute substantially to the successful realization of the projects. A large part of the agreements are closely connected with the programs for better supplies for the people, which are a starting point for the coordination of national economic plans.

(Abridged from CEMA Bulletin)

#### GDR-USSR Cooperation

East Berlin PRESSE-INFORMATIONEN in German No 87, 27 Jul 84 pp 3,4

[Article by Werner Buschmann, minister for light industry: "Factories of GDR and USSR Light Industry Cooperate in Making Production More Efficient"]

[Text] The successful cooperation between enterprises of the light industry of the GDR and the USSR has been reported repeatedly. Partnerships, such as between the state-owned united cotton spinning mills and thread production plants in Floeha and the Moscow cotton factory "M.W. Frunze," the state enterprise of men's clothing "Fortschritt" in Berlin and the production combine for apparel in Kalinin as well as the state-owned hosiery combine "Esda" and the hosiery factories in Riga and Brest, are of long standing and brought profitable results for both sides. Through close cooperation, production efficiency was increased and product quality was improved. Together with the textile machine building industry, procedures and equipment

for more efficient production of yarns were developed, the classical weaving technique was further developed, and completely new weaving principles, such as wave-shed weaving, were put into production.

The resolutions of the 10th party congress of the SED and the XXVI party congress of the CPSU, particularly regarding further development of consumer goods production and the corresponding agreements on the highest level, have put new emphasis on cooperation with the USSR.

#### Great Obligation

The governments of our two countries agreed that the light industry of the GDR give assistance in the reorganization and rebuilding of 19 factories of the textile, clothing and shoe industries in the USSR. The objective is increased performance through the introduction of modern technologies and equipment, and production of up-to-date fashionable goods of high practical value, more than previously. The basis for this are efficient procedures, technologies and organizational solutions as well as documentation for the product development and licenses from the GDR. These efficiency projects are a great obligation for us since, in turn, the extensive and reliable deliveries of raw materials from the USSR constitute an essential basis for the continued increase in performance of GDR light industry.

A partner factory in the GDR was appointed for each of the 19 factories to be reorganized in the USSR. The state-owned combines for outer apparel in Berling, Erfurt and Loessnitz, technical textiles, Deko, knitwear, and shoes, which are part of these enterprises, elaborate proposals for the introduction of more efficient production technologies, based on their own and international experience. At the same time, they give their Soviet partners models and documentation of products which they themselves produce or are going to produce, and impart practical experience "on the spot." After study and approval by the Soviet partner, the plants jointly turn over the proposed procedures, technical solutions and product samples. In accord with the textile machine industry, appropriate machinery and equipment are delivered or, respectively, the use of machines from other CEMA countries is recommended.

#### Higher Level of Cooperation

The intangible performances of the GDR light industry, together with machine deliveries, have been agreed upon in foreign trade agreements and are being paid by the USSR. Thus contents, nature and degree of effectiveness of cooperation between enterprises of the light industries of the GDR and USSR have reached a new level in the area of efficiency drives. In order to solve the demanding tasks in qualitative and timely fashion, the combines of the GDR light industry include in their work many projects specialists, engineers, master craftsmen and skilled laborers, designers, machine builders, and foreign trade specialists. The obligations assumed also comprise the responsibility of producing the recommended goods so that they are what the Soviet market requires. The enterprises of the GDR light industry will be able to gain a precise idea of how the joint products are received by Soviet

consumers and will thus be able to draw conclusions for the development of those consumer goods which they themselves export to the USSR.

Meanwhile, working teams of specialists from both countries have analyzed the starting conditions in the selected enterprises--which are located in the European as well as the Asian territories of the USSR--, have agreed on the technical and economic tasks set, and have outlined the work phases needed for the start of production.

The obligations assumed by the GDR are being fulfilled under the leadership of the ministry for light industry with great state discipline and with a sense of political responsibility for making an effective contribution to the further strengthening and deepening of the fraternal bond between the GDR and the USSR.

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CSO: 2300/175

INTERNATIONAL AFFAIRS

GDR-CEMA BASIC CHEMICAL RESEARCH COOPERATION BRINGS RESULTS

East Berlin PRESSE-INFORMATIONEN in German No 87, 27 Jul 84 pp 3, 4

[Text] It is of the greatest importance for the economic development of the GDR that creative results from basic research become industrially effective in the shortest time possible. Basic research not only has a firm place in economic strategy, it is an absolute component and a prerequisite for its continuous realization. In planning individual subject groups of basic research, it is especially a matter of recognizing the ways and means which, firstly, make a transferral of the results to industry seem possible and, secondly, take into consideration the requirements of industry.

It is necessary to attain top performance in research with little expenditure and highest effectiveness. This presupposes utilization not only of one's own knowledge, experience and resources, but also of the international level of knowledge through research cooperation.

The cooperation of our institute with research institutions of socialist countries corresponds today to this orientation to the largest extent. Primarily, it led to higher effectiveness of the research process and to greater importance of the results obtained.

Molecular Screen for Certain Substances

Zeolite research constitutes an essential part of our international cooperation. Zeolites are aluminum--silicon compounds with special qualities due to their structure and characteristic hollows, which makes them of interest to the chemical industry. They are primarily used as "molecular screens" in processes of separating substances, but also as carriers for catalysts as well as ion exchangers in chemistry, biology and medicine. Zeolites occur in nature, but are mostly produced synthetically for technical use.

At present, the most significant contribution was made by zeolite research in our republic with the development of a process--the so-called Parex process--for separating normal paraffins from a complex carbon-hydrogen mixture which is obtained through distillation of petroleum. In this case, the discoveries by basic industrial research--the state combine LEUNAWESKE "Walter Ulbricht"--merged with those of the Central Institute for Physical Chemistry of the GDR Academy of Sciences.



Parex equipment of our chemical installations meanwhile is in great demand and is predominantly shipped to the USSR. The researchers of our institute, jointly with the LEUNA scientists, have taken on tasks for further development of the procedure, but continue to work on problems of basic research concerning the thermodynamics and kinetics of this process.

For years, basic research has been directed at the synthesis and modification of zeolites. Necessary procedural and technical computations and experiments are derived from this, which is indispensable for transferring basic results to technology. Such a broad range of tasks a research collective could not, and cannot, solve by itself. In good time, cooperation partners in the socialist countries were looked for and found primarily in the USSR, CSSR, the People's Republics of Poland and Hungary. Since the seventies, we have been associated through bilateral and multilateral agreements which are renewed and activated at established intervals.

#### Division of Labor Promotes Quality and Time Savings

Especially fruitful in the past has been cooperation with scientific institutions in the Soviet Union, particularly those of the Academy of Sciences of the USSR and the chemistry faculty of Lomonosov University of Moscow. At regular intervals, we practice an exchange of experiences in the form of conferences, study sojourns and short visits. The consequences of this largely labor-dividing cooperation are results in broad-based research with meaningful applications for industry. Research cooperation today has been developed to a point where existing equipment, apparatus and knowledge are used efficiently, and the growing demands on science in our time are being met successfully.

Within the framework of a quadrilateral agreement between scientific institutions in the GDR, USSR, CSSR and the People's Republic of Poland, the problems of zeolite research are worked on by the partner who has the best prerequisites and the most experience in the respective partial sectors.

This division of labor permits us to attain a high degree of specialization without having to forego the results from other specialized directions. On the one hand, results can be attained which represent the highest world level. On the other hand, the meaning and general validity of one's own achievements are greatly expanded and utilized through integration and comparison with those of the partners, which are often found under different preconditions and with different methods. The risk of transferring them to industry is thus lowered; in most cases the research findings gain quicker entry into practical application.

Our ideas for expanding the cooperative relations with the aforementioned partner institutions in socialist countries are clearly defined. A plan for the coming years has been prepared and submitted to the partners for discussion. In this manner we want to contribute to promoting scientific-technical progress and to make it useful on a broad basis.

Dr Peter Struve, Dr Wolfgang Winkel, Central Institute for Physical Chemistry of the Academy of Sciences of the GDR.

ALBANIA

PAST, FUTURE GROWTH OF CHEMICAL INDUSTRY DISCUSSED

AU041254 Tirana ATA in English 0915 GMT 4 Jan 85

[Text] Tirana, 4 Jan (ATA)--One of the main characteristics of the chemical industry in Albania is its development at rates which surpass by many times the percentage of the increase of the overall industrial production. Thus, in 1980 compared with 1960, the chemical production has increased 42 times, whereas the overall industrial production rose 5.5 times.

The chemical industry has been set up and developed mainly on the basis of the country's raw materials. Today it has become a powerful branch of the industry which develops in accordance with the principles of modern technology and according to a well-thought plan in harmony with the development of the country in general.

First of all, the chemical industry provides a powerful backing for the development of agriculture, the increase of agricultural and livestock production. Through the construction and commissioning of the superphosphate plant, the ammonium-nitrate plant, the urea plant, etc., the agriculture ensures considerable quantities of chemical fertilizers self-reliantly. In 1980 the agriculture was supplied with 12 times more chemical fertilizers than in 1960. In 1982 the yields per hectare, compared with 1960, increased respectively 362 percent in wheat and 350 in maize. The increase of grain production has enabled our country to meet all its needs for bread grains since 1976. This success is of particular importance if we bear in mind that Albania is a country which has a smaller arable land per capita of the population than the majority of the European countries.

Over the last 20 years the chemical industry has become an important factor for the development and intensification of the production of the other branches of the industry, such as of the industries of oil processing the mineral upgrading, glass, paper, rubber, textile, foodstuffs, engineering, etc. The chemical industry turns out a great number of important products such as concentrated nitric acid, chlorhydric acid, liquid chlore, hypochlorite, sulfurous anhydrite, hyposulfite, carbon calcium, acetylene, glycerine, etc. which play an important part in fulfilling the needs of the country, in the development of the economy and reduction of imports.

Over the present five-year plan and the future one the chemical industry will grow and develop at even faster rates. In 1985 its production will be 62-65

percent higher than in 1980. A special importance will be attached to the production of phosphatic and azotic fertilizers, the chemical products for the protection of crops and some fundamental products such as sulphuric acid, calcinated soda, etc., the further development of the chemical industry will take place through the introduction of advanced technology and technique, the extension of the existing productive capacities and the setting up of new larger enterprises.

CS0: 2020/45

CZECHOSLOVAKIA

PRAGUE NOTES U.S.-USSR TRADE TALKS IN MOSCOW

LD082201 Prague Domestic Service in Czech 1730 GMT 8 Jan 85

[Text] In Moscow today 3 days of Soviet-American talks about the possibilities of expanding mutual trade opened. Stefan Simak, our Moscow correspondent tells us:

In the course of [the] last 6 years the United States has fallen from the position of the second largest capitalist trade partner of the USSR to seventh place. Since the White House unilaterally stopped mutual trade contacts there has been a stagnation in the USSR-U.S. trade exchange and today its value is not quite R2 billion.

The arrival of the delegation led by Lionel Olmer, under-secretary for commerce in Reagan's administration in Moscow and the beginning of the talks with the Soviet partners evokes certain optimism for the future. The interest in the development of cooperation that would correspond to the possibilities and the needs of the two countries is displayed recently by many U.S. Machine producing and chemical companies and also by businessmen from the agro-industrial complex. The economic war of the last two U.S. presidents against the USSR suffered a clear defeat and the U.S. place in the trade with the USSR was to a certain extent, taken over by its West European allies.

At today's renewed session of the group of experts of the two countries in Moscow, the USSR has shown interest in expanding the Soviet-American trade exchange but under the condition that it would be an equal and bilaterally advantageous cooperation.

CSO: 2400/214



CZECHOSLOVAKIA

PROBLEMS FACING ELECTRONICS INDUSTRY OUTLINED

AU101720 [Editorial Report] Bratislava PRAVDA in Slovak on 8 January on page 3 carries a 2,000-word interview given by Engineer Alojz Slovik, candidate of sciences and deputy director of the Tesla Enterprise in Piestany, to Bratislava PRAVDA staff journalist Jozef Supsak. The interview, the place and date of which are not specified, deals with the "many problems" facing Tesla Piestany as an enterprise that "covers the needs of the national economy for semiconductor components and integrated circuits."

Slovik, who is also a candidate member of the CPSL Central Committee, first discusses the difficulties encountered by Tesla in trying to meet the demands of its customers. He says that while in 1981 the factory had 25,000 unsold integrated circuits (high-capacity dynamic storages of the MHB-4116 type) in stock, in 1983 it sold 83,000 of these components and last year as many as 200,000. This year, it has orders for almost 500,000 pieces, which would represent a production increase by more than 90 percent compared with the 1984 plan. Slovik says: "Given Tesla's current capacity, such a production increase is simply impossible. Within the framework of specialization and division of labor among CEMA countries, electronic components worth more than Kcs430 million [annually] are being imported to the CSSR. Nevertheless, orders for components worth more than Kcs650 million remain unsatisfied. Judging by the present state of production capacities, the shortage of components will even aggravate in the next 2 or 3 years."

Asked whether the "tension" between supply and demand could not be predicted, Slovik then says: "In the enterprise, we foresaw the possibility of such a situation emerging. In advance, we drew the attention of our supraordinated agencies and the pertinent planning bodies to this so that our production base could be expanded with the necessary headstart. Unfortunately, neither we nor our general directorate--Tesla-Electronic Components in Roznov--was successful. As a result, there was a disproportion in 1984 between the demands of customers and our capacity potentials, a disproportion that will be perpetuated this year."

Commenting further on the difficulties facing the factory, Slovik goes on to say: "We have analyzed the situation of foremost foreign producers and found out that we are a unique factory in that we combine under a single roof the production of an extensive range of integrated circuits, diodes, and transistors. Altogether, we produce more than 500 different types [of components], with our production amounting to 140 million pieces annually. The strong

centralization [centralizacia] of our range of products accounts for the lack of flexibility and adaptability of our production. Abroad, this trend was overcome 10 to 15 years ago." As a way out, Tesla Piestany has reportedly proposed that a branch establishment be constructed in Holíč to concentrate on the development and production of diodes. It has also taken steps to build a new facility for the "production of integrated circuits with a very large-scale degree of integration (VLSI)." According to Slovák, the construction of this facility has now been promised for 1986-87, although it was first requested as early as 1981. In addition, Czechoslovakia is also said to be seeking international cooperation to overcome the current shortage of components. For example, the setting up of a joint Czechoslovak-Hungarian enterprise is "being contemplated."

Another problem confronting electronics producers concerns, according to Slovák, is the research base. He says: "Until now, our research and development workers in the area of microprocessor technology have been going to production to learn. On our modern production line, made under license, they have gained valuable experience and, with its help, have been able to test newly developed models and prototypes. However, now these 'doors' to practice are virtually closed to our researchers. The production of integrated circuits has increased and we can no longer afford to 'cut off' parts of the production line capacity for development purposes. The trend goes in the direction of further increases in the density of elements on the chip. We, too, are already developing new microcomputers and large-capacity storages, the production of which will not be possible if we use the technology, on the basis of which the aforementioned license-based production line operates. The possibilities of verifying and testing new solutions are thus diminishing for our research and development staff. We have arrived at the undesirable situation where the technological equipment of the research and development workplace is poorer than that of production. We have a concept on how to modernize technological work places in the preproduction stages. However, from the supraordinated economic agencies we need more effective material support for our plans. A great deal is, indeed, at stake in this stage: the development of the component base, without which the electronization [electronizacia] of our national economy is unfeasible. The point at issue is also whether we will be able to keep abreast of the world or not."

Slovák then says that he had referred to some of these problems at the April session of the CPSL Central Committee in 1984, when he also warned that the factory's production capacity was inadequate. He calls it therefore "startling" that this capacity is now even declining "owing to the shortage of some critical materials" as well as "spare parts and components, without which parts of our installations are inoperative or in a precarious condition." He notes that, although the hard currency for these imports had already been approved, "our supraordinated agencies are too late in making these planned currency resources available to us." Slovák also finds fault with the "state of deliveries of domestic extra-pure materials and chemicals."

In his concluding reply to Šupšák's questions, Slovák deplores that some "creative workers" are leaving his organization because of the prospect of getting an apartment or a kindergarten place faster somewhere else and complains that, in his opinion, "an electrotechnical enterprise should have greater possibilities of stabilizing creative employees."

CZECHOSLOVAKIA

PROBLEMS CAUSED BY COLD WEATHER VIEWED

AU141704 [Editorial Report] Prague RUDE PRAVO in Czech on 11 and 12 January carries reports on the situation in connection with the recent cold weather. The 1,100-word editorial on 11 January, entitled "Determined Struggle With The Cold," states that the "situation is serious, particularly in the open-pit coal mines," where extraction continues only due to extraordinary measures. Although the transport of coal on the Labe River has stopped, the Chvalteice Electric Power Station still has reserves for roughly 40 days and, despite a tense situation in electric output, all power stations are working reliably, the paper says, no harsher measures in regulating consumption are envisaged.

However, regulation measures had to be declared for gas consumption, and the planned gas deliveries to large consumers had to be cut 10-17 percent, the paper continues. Due to reserves of solid fuel, the thermal power systems are, on the whole, operating reliably. "However," the paper states, "it must be conceded that the situation is unfavorable in certain industrial facilities, which we have not succeeded in warming up to at least a minimum temperature, the people working there had to be either shifted to other work, or the work had to be temporarily interrupted." However, the paper adds, these are local occurrences of no great import. It goes on to say that "considerable difficulties must be overcome by freight transport, particularly the car and railroad transport. In several thousand railroad cars, the transported substrate [substraty] froze."

Despite great difficulties, the deliveries of foodstuffs to the population continue, on the whole, smoothly; and all the main and important services are operating without breakdowns. "However," the paper stresses, "not all needs are so pressing that they have to be satisfied immediately, instead of a week or two later." It concludes by saying that the CSSR's national economy is strong enough to cope with the situation, even though selfless efforts will be needed to make up for the shortfalls in production and elsewhere.

On the same date, the paper carries on page 1 a 200-word "(1)"-signed report on the water situation in Prague. The breakdowns in the 2,711-kilometer water mains network are eliminated only with difficulty, due to frozen earth, to work in wet environments, and to the lack of facilities for warming up; moreover, crude oil in the mechanisms used has begun to freeze, and all ungaraged vehicles are freezing, too. Since all emergency water tank trucks are unusable,

the report says, water is delivered to the population by so-called "trambuses"; even so, by the time they arrive, the faucets can be frozen. On the morning of 10 January, a number of garaged trambuses failed to function and water could be delivered only much later. The report concludes by saying that "all three of the Prague water sources--Zelivka, Podoli, and Karane--are being successfully kept at maximum operation," and for the time being no water delivery restrictions are envisaged.

On 12 January the paper carries on page 2 a 250-word "(mo)88-signed report, datelined Prague and entitled "A Test Also for Agriculturalists." It mentions "many problems" caused by the cold in animal production, and says that in the first 10 days of January the procurement of animal produce has dropped, particularly in animals for slaughter. About 15 percent less beef cattle could be brought to the processing plants, the report states; and a certain drop in milk deliveries was registered, so that the daily milk procurement in the Czech Socialist Republic decreased by about 270,000 liters.

CSO: 2400/214



CZECHOSLOVAKIA

BRIEFS

**SUGAR PRODUCTION FIGURES**--According to Josef Havel, production and marketing director of the sugar industry enterprise, the CSSR sugar refining industry in the 1984-85 campaign produced 5.5 million metric tons of sugar, despite the fact that the procurement of sugar beet was only 97 percent fulfilled. This is the second best result in the Seventh 5-Year Plan. [Summary] [Prague LIDOVA DEMOKRACIE in Czech 7 Jan 85 p 1 AU]

**WEATHER AFFECTING RAILROAD TRAFFIC**--The continually increasing cold, which today reached minus 31 degrees celsius at Mosty u Jablunkova Railway Station, is making railway workers' work considerably more difficult. It is impossible to unload certain materials on the CSSR railways. At present there are more than 6,000 freight cars standing on the track with a frozen load, of which more than 2.5 thousand are on the wide gauge tracks in East Slovakia. Most of the freight cars contain ore and coal and because the capacity of defrosting equipment is not sufficient, eastern region railways are holding 19 ore trains out of circulation and the central region 6. The weather is also affecting loading which yesterday was fulfilled only to 70 percent of the planned volume. The number of freight cars which cannot be used continues increasing. In Moravia, the frost is causing the track to break up, the breakdown of rolling stock and heating mechanisms, particularly where steam heating is still being used. Specially strengthened emergency groups are working to remedy these defects as quickly as possible. [Text] [Prague Domestic Service in Czech 1130 GMT 7 Jan 85 LD]

**SHIPPING CONFERENCE**--The conference of Czechoslovak shipping workers on the Labe-Odra took place today in Decin. The main report stated that last year was the most successful in the history of shipping. Almost 10 million tons of goods were transported. This year over 9 million tons of goods will be transported. New vessels and cranes will be supplied. At the present time, shipping is halted because of the cold. [Summary] [Prague Domestic Service in Czech and Slovak 1000 GMT 12 Jan 85 LD]

**TRANSIT GAS PIPELINE PERFORMANCE**--The transit gas pipeline carried last year almost 48 billion of cubic meters of Soviet natural gas to consumers in seven countries. [Summary] [Prague RUDE PRAVO in Czech 5 Jan 85 p 2 AU]

NEW ECONOMIC PRODUCTION UNIT--The task of the ELEKTROMONT economic production unit, set up on 1 January 1985, is to coordinate activities when designing high-voltage technology and automation, measuring, and regulatory equipment. The new concern of the electrotechnical industry has almost 13,000 employees in 5 enterprises--in Prague, Brno, Bratislava, Teplice, and Kosice. [Summary] [Prague RUDE PRAVO in Czech 2 Jan 85 p 2 AU]

CSO: 2400/213

GERMAN DEMOCRATIC REPUBLIC

WESTERN BANKS WONDER HOW REGIME PLANS TO USE NEW CREDITS

Stockholm SVENSKA DAGBLADET in Swedish 19 Dec 84 p IV

[Commentary by Richard Swartz: "DDR Gets Credit of 3.5 Billion Kroner. Repaying Loans or Hoarding Foreign Exchange Reserves?"]

[Text] On 21 December, a credit was signed for 400 million dollars to the German Democratic Republic--a credit granted by a consortium of Western banks and reflecting the new confidence in the East German economy.

The transition from skepticism to goodwill in the West has been very rapid: As late as last year, the government in Bonn had to use quite a good deal of persuasion to make West Germany come up with the DM 950 million which would help create the right political atmosphere prior to Erich Honecker's planned visit to the Federal Republic, a visit which, however, was cancelled at the last moment. (Previously, banks in the Federal Republic had granted the German Democratic Republic DM 1 billion through the agency of Franz Josef Strauss.)

The German Democratic Republic, however, is now again regarded as creditworthy; the new loan--originally put at DM 150 million--was signed quickly, and, during the Leipzig Fair in the fall, the East German authorities were more or less in a position to pick and choose among offers of credit from the West. The German Democratic Republic is now generally regarded as the most creditworthy country in the East following the Soviet Union and on a line with Hungary.

Fast Measures

As late as last year, many experts in the West were of a different opinion. In the most gloomy predictions, the payments difficulties of the German Democratic Republic were regarded as similar to those of Poland or Roumania, but rapid and drastic measures on the part of East Germany are now regarded as having reversed the trend.

The cost, however, was high. Imports from the West were cut sharply, and, in the fall of 1982, the population of East Germany was confronted with serious supply problems; in the retail sector, a large number of everyday commodities were lacking. The regime continues to pursue a conservative policy in this area--even by East European standards: in 1985, the total of various subsidies of the most vital everyday commodities will increase to as much as

DM 40 billion--this budget item keeps increasing and today constitutes more than 15 percent of the entire state budget.

However, the positive development of the East German economy (despite the absence of "liberal" reforms) and strong political measures have changed the overall impression of the German economy to such an extent that experts and observers in the West are now faced with a new problem--what is East Berlin doing with all of the credits which, at present, are being taken up in the West without any major difficulty? Why have they borrowed so much in the Euro-market, credit amounts which appear disproportionate to the actual needs of the East German economy?

#### Hoarding?

The foreign exchange reserves are estimated at approximately 4 billion dollars--the net indebtedness of the German Democratic Republic in the West would, according to the same calculations, amount to slightly less than 5 billion dollars--and some experts assume that the German Democratic Republic is accumulating dollars to have a buffer for future difficult times, if any. Others are of the opinion that the German Democratic Republic takes up loans on behalf of other socialist states which would not be equally creditworthy in the West, a 'socialist solidarity,' which observers more familiar with Eastern Europe find it difficult to imagine.

A third possibility is that the actual debt of the German Democratic Republic in the West is far greater than shown openly--the new credits would then be used to pay back old loans with banks which do not feel obligated to report to BIS [Bank for International Settlements].

However, the fact remains that the German Democratic Republic seems to have got its balance of payments with the West in order, that it has a nice reserve of hard currency and thus is in a special position in Eastern Europe. The conditions for a good economic development during the 5-year plan 1986-90, therefore, appear better than during the plan which they are now in the process of concluding. Good crops this year and in 1983, as well as the end to the disastrous division of agriculture into an "animal" sector and a "vegetable" sector, also contribute to the unusual economic stability of Eastern Europe.

#### Uncertain Future

Nevertheless, the future is uncertain, a circumstance which also appears in official conversations. They fight stubbornly not to become disengaged from the development of certain sectors of the world economy which of late years has been particularly intensive. In the next year, 13,500 new industrial robots will be put into operation; they already have 43,000. The press is full of articles on the blessings of microelectronics and robotization, but it may be read between the lines that they are aware that the economies of the East Bloc are behind in this area. That is why contacts with the West become particularly important, not least through the backdoor of the German Democratic Republic to the entire EC area via the Federal Republic.



This is the economic background to Erich Honecker's efforts to cement and expand the contacts of the country with the other Germany.

"All of the economic contacts with the Federal Republic will, of course, have to become further developed even if the political climate did not allow Honecker to travel in the summer," a source in the East German foreign ministry tells SVENSKA DAGBLADET.

#### Role of Soviet Union

It is, no doubt, with mixed feelings that Moscow observes these openly stated East German ambitions. The veto against Honecker's visit was a way of cautiously nipping it in the bud. Another way was the agreement on cooperation till the year 2000 between the Soviet Union and the German Democratic Republic in the areas of "science, technology and production" which was signed by Honecker and Andrei Gromyko on the occasion of the 35th anniversary last October of the German Democratic Republic.

The agreement which may be regarded as an attempt to tie the German Democratic Republic more closely to the Soviet economy, is referred to in the agreement as a "historic step." Already during the summit meeting in Moscow on 12-14 June of the Council for Mutual Economic Aid, very sharp Soviet criticism was directed against the East European states. They were told that they prefer to sell advanced technology and consumer goods in exchange for the hard currencies of the West rather than fulfilling their obligations to deliver goods to the Soviet Union. Time and again, Moscow has, moreover, reminded East Berlin that it is from the Soviet Union that the German Democratic Republic gets its supplies of raw materials and fuel and that East Berlin has already for several years had a serious trade deficit with its big neighbor in the East.

#### Drastic Measures of Intervention

If fully implemented, the agreement on cooperation involves drastic measures of intervention in the East German economy. It will "further deepen relations between and bind together" the two economies, at the same time as East Berlin pledges to carry through investments and modernizations of its own productive apparatus with a view to guaranteeing the Soviet Union supplies, primarily advanced industrial products as well as consumer goods.

Investments in the German Democratic Republic will also increase in 1985--the economic growth rate will, according to the plans, be particularly high in the areas of technology, chemistry and lignite (to reduce the dependence on Soviet oil which Moscow finds that it has better use for in other areas). The East German economy will, moreover, be rapidly converted from Soviet oil to the natural gas to which Moscow has greater access.

#### Logical

The agreement on cooperation contains quite a good deal of rationalization and logic from the Soviet point of view: Why should one continue to partly

subsidize the allies in Eastern Europe by providing them with raw materials and fuel in exchange for industrial and consumer goods which are inferior to those one might be able to purchase in the world market in exchange for the same raw materials and fuel? Why accept that the East Europeans sell the highest quality goods of their production to the West as soon as they are able to get out of obligatory supply agreements with the Soviet Union?

This entire issue, of course, also has a political aspect which not least East Berlin is cleverly trying to exploit. They let Moscow know that the political stability within the German Democratic Republic is dependent upon a good economic development and that this development, in turn, is dependent upon all of these contacts with the West and the Federal Republic, which furthermore will benefit the Soviet Union: Only in this way may the German Democratic Republic get access to know-how for its microelectronic industry, which is important for the entire SEV [Council for Mutual Economic Aid], only via the German Democratic Republic may the Soviet Union obtain directly high-technology equipment which it cannot itself obtain from other quarters in the West.

#### "An Asset"

In addition, the German Democratic Republic is consistently endeavoring to present the direct channel it has to the Federal Republic and the economies in the West as an economic asset to the entire East Bloc--in such a consistent manner that Moscow cannot dismiss the suspicion that Erich Honecker is independently trying to shape the "policy of Germany" which Moscow regards as its own exclusive privilege.

7262

CSO: 3650/120

GERMAN DEMOCRATIC REPUBLIC

INDUSTRIAL ASH EMPLOYED TO PURIFY OIL-CONTAMINATED WATER

East Berlin BERLINER ZEITUNG in German 17-18 Nov 84 p 13

[Article by Volker Hoffmann: "How a Waste Product Can Serve Environmental Protection --New Procedure Utilizes Ash to Purify Oil-Contaminated Industrial Waste Water"]

[Text] Scientists of the Leipzig Institute for Energy, Central Office for Efficient Energy Use, have killed two birds with one stone so to speak, in many years of research work. For one, they were able to develop several effective methods for purifying oil and fat contaminated waste water; for another, they managed at the same time to channel waste products of the energy industry into meaningful re-use.

Whenever one speaks of oil-contaminated water, one usually thinks of large tanker damage on the oceans of the world. However, oil-contaminated waste water also occurs in a nation's economy in a considerable amount. For the GDR with its limited reservoir of fresh water, this kind of pollution meant a very special problem. The sources of such oil contamination are, for instance, drilling, cutting, and cooling emulsions of the metal-processing industry, waste water from the food-processing industry which contains animal and vegetable fats, and condensation products from briquetting presses, one of the major points the Leipzig researchers focused on.

Purification in Several Steps

It is self-evident that the solution of de-oiling problems starts with knowledge of the nature of the water to be purified. In addition to the oil concentration, the degree of oil dispersion in the water determines above all the methods to be used (the expert distinguishes quite generally between emulsions which contain oil particles of less than 5 micrometers in diameter, and dispersions where the diameter is higher).

Although no strict scheme for oil removal from waste water can be given because of the above-stated fact, an outline can be drawn nonetheless. In a first step, purification usually takes place by extraction of coarsely dispersed oil particles through gravity. (If one lets a mixture of water

and oil stand for a while, the components separate; the lighter one rises and can be carefully removed.) In a second step, removal of finely dispersed particles is carried out through chemical flocculation, for example with the aid of metallic salts, or according to the principle of coalescence. In this case, several small oil droplets are combined into one large drop, which then can be removed through the gravity method. Lastly, in a third step, the finest oil particles are removed through absorption, and in certain cases again through the coalescing principle. Until now, purification of the condensation products accumulating in large quantities in briguetting plants with steam presses to the quality of boiler feed water was carried out through special oil removal filters which operated with activated carbon or similar substances. The high cost of activated carbon and its limited availability were the starting point for the Leipzig scientists' large-scale studies to replace it with equally effective but far less costly products. The object was to find a material which, in addition to possessing good absorption qualities for oil, also remains stable under the pressure and temperature conditions of the condensation cycle, and does not release foreign matter into the water. From their own branch of industry, the secondary raw material ASX, [flotation ash-xylite], produced in the state-owned Boxberg power plant, offered itself. It is available in sufficient quantity at relatively low cost. The expenditure for removing from ASX mineral impurities—which incidentally, can also be found in activated carbon—is low.

In the course of the testing it was also found, however, that using ASX in the existing one-step oil separator filters did not produce the required degree of purity. Therefore it became necessary to develop a new procedure, in close cooperation with the state-owned power plant "Erich Weinert" in Deuben. In the last analysis, it is a combination of various methods. The important fact, however, is that ASX can be used as an oil separator medium. After almost one and a half years of test runs under normal operating conditions, the high effectiveness of the new process was proven. It might be of interest that the separated oil is preserved and can be re-used.

#### Substitute for Activated Carbon

The procedure described here is only one example that de-oiling of waste water is in many cases possible with the help of combustion residue.

At present, the scientists are working on practical testing of additional materials from waste products which are considerably cheaper than activated carbon but possess similar, and in part even better, qualities. Thus they are on an interesting path toward utilization of what was up to now industrial waste, in the interest of environmental protection.

9917

CSO: 2300/174

GERMAN DEMOCRATIC REPUBLIC

INCREASED IMPORTANCE OF HOME-GROWN VEGETABLES TO MEET DEMAND

Greater Variety Required

East Berlin PRESSE-INFORMATIONEN in Germany No 87, 27 Jul 84 pp 4,5

[Article by Lothar Engel, deputy chairman of the Magdeburg district council:  
"Home-growing of Fruit and Vegetables is Being Expanded"]

[Text] The district of Magdeburg contributes one-seventh of the vegetable production of the republic, and 20 percent of canned fruit and vegetables come from the many processing plants of our district. This results in great responsibility for supplying the population of our country.

In recent years we have particularly concentrated on improving the supply in the shops of towns and villages of our district through a greater variety in fruit and vegetable growing. In 1983, we managed to double produce and fruit destined for our own needs compared to 1980. It is planned for 1984 to provide 4,800 tons more produce and fruit than in the previous year. The advantages of high self-support are obvious. For one, the goods reach the consumer rapidly, and are therefore fresh and of good quality. For another, relatively little transportation outlay is required. About 80 percent of the district's needs for produce and fruit were covered out of our own LPG [Agricultural Producer Cooperative] GPG [Horticultural Producer Cooperative] and VEG [State Farm] production.

A special part of the supply is also provided by the members of the association of small gardeners, settlers and breeders of small animals, and other individual producers. They sell a large share of their garden produce to purchasing centers of the fruit and vegetable trade, or to factory and school kitchens as well as other large consumers.

Good Experiences Are Passed On

During the past year all counties, with the exception of the district capital and the Harz county of Wernigerode, were self-sufficient in the supply of peas, beans, pickling gherkins, cucumbers, black salsity, sour cherries, and pears. This was attained in particular through long-term agreements between producers, retail dealers and large consumers, respectively.



Many good examples could be cited. In order to speed things up in the district, the best experiences are regularly passed on. The third mayor's conference at the end of March of this year, for example, was such an exchange of experience in which, among other things, the exemplary results of the community of Remkersleben, county Wanzleben, were shared. There, under the leadership of the mayor, a standing working group coordinates all tasks to be solved for self-sufficiency of supplies. Representatives of the retail trade, large consumers, branches of the VKSK [Union of Small Gardeners, Settlers, and Small Livestock Breeders], and of fruit and produce wholesalers work together in mutual trust.

For instance, the working group ascertains the needs of all supply facilities in the area, influences the growing of fruit and produce according to demand, organizes the most effective transport from the producer to the consumer, and lastly evaluates regularly the status of self-sufficiency in supplies.

Monthly consultations on control, reports to the town council, and talks with citizens of the town are part of the permanent work of this body. It determines actual demand figures for 30 types of vegetables and 4 kinds of fruit, which then becomes a component in the economic planning by the community representatives. In order to expand the variety of fruit, last fall 150 filbert bushes, 140 cherry trees, as well as berry-bushes and many other fruit trees, were planted in and around Remkersleben.

#### Provide Greater Variety

A focal point of management activity of the district, county and town councils for 1984 consists in expanding the variety of homegrown fruit and produce, and improving the quality of the supply with wild-growing fruit such as sallow thorn and sorb. Growing more early-harvest vegetable types and those that winter well also opens up possibilities for stretching the supply of fresh vitamin sources over the entire year.

Agreements on amounts and kinds reached between local councils and area producers also contain specific regulations on irrigation. The goal is to ensure additional water supplies for all vegetable fields, if at all possible. This also includes small gardeners. Good results have been attained in this respect in the sector of small gardens, "Bodenreform" ["Land Reform"], in Haldensleben. Through construction of wells, for example, they succeeded in reducing the use of potable water for irrigation.

So that small gardeners can make their surplus garden products available as supply to the population without great difficulties, the number of purchasing centers in the district was further increased. At present, about 2,000 installations--sales outlets, market centers, special purchasing centers for the small-garden sector, and processing plants--buy the fruit and produce of small growers.

In many places, the coordinating and organizing role of the managers of purchasing centers has proven successful in their close cooperation with county association and branches of the VKSK, as well as with sales outlets.

Official consultations by the mayors, meetings of managers of purchasing centers, and training courses for the trade are being utilized in order to publicize good experiences in this field.

#### Vegetable Shortage Noted

West Berlin DER TAGESSPIEGEL in German 17-18 Nov 84 p 13

[Article by Michael Mara: "Insufficient Supply of Fruit and Vegetables in the GDR"--Unsatisfactory Test Results Among School Children]

[Text] The supply of fruit and produce has for a long time been a stumbling block in the GDR. More, rather than fewer, housewives have been criticizing the insufficient supply of vegetables this year, which evidently fell short of last year's supply, although party and state had promised better supplies. Functionaries mostly held unfavorable weather conditions responsible this year for the gaps in supplies, but that is only half the story.

It is the defects of a planned economy and economic constraints which had adverse effects also on the supply of fruit and produce. The East Berlin leadership restricted imports, although the conditions for a stable and sufficient domestic production do not exist. For example, the area of greenhouses is far from adequate to produce a continuous supply throughout the year. The demanded self-sufficiency of communes, which is to help save transportation and fuel costs, simply isn't working.

For this reason, in GDR towns last summer, fruit and vegetable markets were set up where every small gardener and owner of a garden could sell even the smallest quantities. To offer their wares attractively, the spare-time dealers arrived with folding tables and kitchen tables. The council of the city of Dresden, for instance, had called for providing one's own table, since one first had to gather experience with such "open markets." But the throng of buyers proved that a great demand exists.

It is doubtful, however, whether these markets will be able to improve the supply in a lasting manner. Small gardeners already provide a relatively large share of state fruit and vegetable production with about 25 and 13 percent, respectively. Their supplies to the trade, mass kitchens, etc, are firmly included in the planning, and the production obligations of the various branches are pushed higher every year. A current slogan reads, "Only a productive garden is a beautiful garden."

Nonetheless the GDR must find ways to balance deficits in the supply. Because of import restrictions, the per capita consumption of tropical fruit shrank between 1975 and 1983 by more than one-third to only 11 kilograms (27 kilograms in the FRG) without this having been balanced through other fruit and produce. On the contrary, per capita consumption fell here, also. In the case of fresh vegetables it dropped below the 60 kilogram mark (1980: 64 kg), and it also fluctuates in the case of fresh fruit. While consumption was at about 37 kg in 1980, it was only 35 kg in 1983.

GDR experts on nutrition do not conceal the fact that the consumption of fresh fruit and vegetables is unsatisfactory. This is confirmed by studies of the nutritional situation of 12-year-old GDR pupils. According to the experts, the average vegetable consumption by boys of 70 grams daily, and 74 grams by girls, lies "considerably below the recommended 150 to 200 grams" (raw produce). The average fruit consumption for boys is 123 grams per day, for girls 125 grams. The recommended amounts of consumption of 200 to 250 grams are, therefore, not attained.

Incidentally, the studies also pinpointed another weak spot in the nutrition of the school children: the recommended standard of 800 milligrams of calcium intake is satisfied only by 70 percent; in 44 percent of the children, the calcium intake is even below the minimum of 400 to 500 milligrams established by the World Health Organization.

The authors of the study considered this deficit "disquieting." They attributed it above all to the low consumption of milk and dairy products. According to their findings, in general the consumption of nutritionally valuable foods (such as dishes prepared with milk, dairy products, fruit and whole grain bread) is inadequate. (In the case of 10-year-old boys and girls in the FRG, because of higher consumption of milk and dairy products, a calcium intake of about 980 and 890 milligrams, respectively, was established; this means that the amounts are considerably higher than in the GDR.)

The results established in the studies permit the conclusion that the nutritional situation of GDR youth is not optimal. Evidently, this is less a result of omissions in teaching the young sound nutrition, but rather is due to the supply situation. This evidence is also proven by other results of the studies: according to these findings, fruit and vegetables, milk and dairy products are well-liked by the pupils; also, their knowledge of nutrition can essentially be considered good and satisfactory.

9917

CSO: 2300/174

HUNGARY

OFFICIAL ON ROLE OF MARKET, STATE, ENTERPRISE IN PLANNING

Budapest FIGYELO in Hungarian 8 Nov 84 p 5

/Article by Dr Akos Balassa, director of the Main Department of Political Economy of the National Planning Office: "Debates About Planning"/

/Text/ In the course of developing concepts aimed at modernization of the macroeconomic management system, the debates of decades concerning planning and its role partly flared up again, partly appeared in new form and then "concluded" successfully after the collision and reconciliation of views.

It is my experience that in the debaters' phraseology the difference was much greater in what the role of national economic planning should be in the macroeconomic management system and in what directions it is advisable to modernize the system and methods of national economic planning than in the concrete approach to issues. Many misunderstandings sprang from the fact that the planning methods were often blamed for the problems and dilemmas of economic policy, but it also happened that, in allusion to professional planning errors, the function and place which planning fulfills in the macroeconomic management system were made into the object of debate.

At the time of elaboration of the final proposals for modernizing the macroeconomic management system, agreement had essentially been reached on the chief issues of planning. But naturally the flareup of debates--in old or new guise--or the emergence of new problems and controversial questions cannot be ruled out in the future, either. In what follows below, I outline first and foremost the questions which have emerged in the debates on planning, its function and its interrelations, and I add a few remarks to them. I will not now concern myself with trends in the modernization planning.

One topic in the debates on the place and role of national economic planning was the relationship between economic policy and national economic planning. This is a broader approach to the functions of national economic planning than the traditional "plan and market" debate.

In this connection the controversial issue emerged: doesn't reconciliation of interests assume national economic planning's function of being the chief



instrument--from the economic aspect--in the formulation and development of economic policy? It cannot be disputed that the interests of various groups and strata of society and the economy must be revealed and expressed more explicitly than before in the development of economic policy and, in this connection, in national economic planning as well. Representation and protection of the interests of individual strata must be permitted, as well as the means for reconciling interests. In the meantime, the essential pursuit of national economic planning is the development of the entire society's interests, which, of course, cannot be in opposition to the interests of the more important social strata and groups.

The interest of the entire society means more, however, than the sum total of the interests of individual social groups. National economic planning must develop goals and solutions which bring society results greater than the outcome which can be achieved through the simple harmonization of the pursuits of individual groups and strata. During planning, a proposal must also be made for interest-regulating measures which serve to resolve conflicts of interest.

Furthermore, national economic planning with its specific instruments must fix goals and unearth possible solutions which--necessarily in accordance with the short-term nature of recognized partial interests--take into account the long-term effects of the action and also the short-term requirements for achievement of long-term goals.

All this makes it necessary for national economic planning to integrate the planning activity of a professional nature as well as the reconciliation of interests. With regard to the latter--but not depending exclusively on it--the planners develop their concepts and proposals for economic goals and their attainment.

It was undisputed that making economic decisions is the task of political bodies which concertedly weigh and validate the interests of social groups and strata, the synthesized proposals developed in light of them, and political and economic considerations.

#### Plan and Market

In connection with this debate, it is necessary to emphasize above everything else that the market in our country is regulated, namely, in accordance with economic goals drawn up in the national economic plan. This market cannot be considered an element which is extraneous to planned economic development and in opposition to the national economic plan. On the contrary, it is one of the important elements in attaining economic goals.

It is not enough to point out that "the domestic market is asymmetrical" and "in the foreseeable future we can activate numerous market mechanisms only in a more or less operative (simulated) way" (which, for that matter, is an absolutely true characterization of the current situation). Rather, we must support the idea that an important task of state activity is to promote--on the basis of a realistic examination of conditions--the development of market relations by organizational measures, by expanding the scope of enterprise



activity, by an increase in genuine independence, etc. It would be a mistake to perceive the state's market-regulatory activity as one of just restricting or imposing restrictions. Quite the contrary, an important part of state activity is to develop conditions under which the market's active role is strengthened: inducing (encouraging and compelling) producers to improve efficiency and competitiveness and to better satisfy demand.

The value judgment of the foreign and (regulated) domestic market must exert a regulatory influence on the activity and growth of economic organizations--first and foremost in the competitive sphere, but not just there. If tension arises in the relation between supply and demand, the reason for this in our country is not generally that the market has excessively large scope but perhaps rather that it still exerts its influence only within narrow confines.

This is the real dilemma, as I see it: while the market forces and the basically normative economic regulatory system--which brings about the achievement of national economic plan goals--must influence the economic activity of enterprises in the competitive sphere more powerfully and effectively than at present, the question is: in addition to this, is there a need in development policy for state priorities based on national economic plans, is there a need for some state directive activity during the market's constant operation, and if there is, what would its scope and resources be?

I, for my part, give an affirmative answer to the foregoing questions. There is thus a need for the "visible hand" not in order to sprawl on the market or supersede or squeeze it out but rather in order to expand its impact in certain areas in the interest of well-defined goals and to help the enterprises' economic decisions adjust to the market of the future.

#### Role of the State

The state's role in the economic processes of our country is necessarily differentiated. Its primary role is in energy-supply administration and the provision of raw materials, in basic decisions affecting the development of some productive and infrastructural activities (telecommunications, railroads), and in the establishment of large-scale campaigns of cooperation with the CEMA countries.

Its task in the competitive sphere (processing industry, agriculture, construction, commerce, highway transport of goods) is to make decisions pertaining not only to current economic activity but also development.

Here it may be the state's role--alongside promotion, in reasonable cases, of international agreements--to contribute through specific campaigns to a strong improvement in the efficiency of national production (for example, rationalization of energy and materials use, more expeditious utilization of the national worktime base) and to facilitate the future market's requirements and satisfactory development by organizational, coordinative work in a few well-known areas which merge with international trends in technical progress and correspond to the endowments of the Hungarian economy, and perhaps by participation in financing.

State activity must aim primarily at research and development work, at the establishment of suitable organizational conditions and perhaps--by the application of preferences--at some investments as well, but it must not undertake the continuous and prolonged support of current production.

Within the framework of national economic planning, it is also advisable to examine--on the basis of market influences and the economic decisions of economic organizations--in which areas effective development resulting in competitive products can be made possible state priorities do not have to be established for them, but encouraging their development by various ancillary measures may be justified.

The fact that the state can promote through definite measures the dynamic and effective development of certain selected activities--in conformity with market requirements--does not mean that it itself becomes an "entrepreneur." Enterprises and organizations have to undertake projects. The state's task is to make the economic organizations capable of undertaking projects by improving the entire macroeconomic management system and, indeed, to create an economic environment in which only successfully venturesome enterprises can survive and grow. Precisely this is the main trend in modernization of the economic mechanism.

However, the reality is that in the immediate future, despite our determined efforts, the market situation probably will not be satisfactory in several vital areas of the competitive sphere. Therefore, the state's participation through market supervision in some spheres of commodity trade is also inevitable for still a number of years.

The market supervision activity does not aim at making tangible and analyzing in greater detail the characteristics of the economic process defined in broad outline in the national economic plans or at influencing more extensively and circumscribing the concrete economic decisions of economic organizations. Its job is to prevent and remove the more significant market disturbances by encouraging intercompany cooperation, by employing supplementary economic measures and, if justified, by central decisionmaking.

What also came up during the debates was whether the state's macroeconomic management role and activity were identical with national economic planning or with approval of national economic plans. It proved unequivocal that the state's macroeconomic management activity was broader and more diverse than national economic planning and plan approval. Implementation of indirect economic regulations (for example, tax rules, establishment of official prices, etc.), development of the organizational/institutional system, and performance of definite duties--to be changed in the future and linked with the proprietary role--in the domain of state enterprises belong, of course, to the state's macroeconomic management activity. Moreover, the state pursues economic organization activity which must be carried out on the basis of national economic plan decisions and the system of interrelations.

The relationship between national economic and enterprise planning and the state macroeconomic management agencies' connection to enterprise planning were among the much debated problems.

A sensible though not new idea is partnerlike cooperation between the national economic planning agencies and the economic organizations. Within this framework, consultations and the mutual exchange of information take place and, furthermore, concrete planning cooperation on those issues which have become the administrative device from outside the national economy and the given enterprise. Falling under the forms of partnerlike cooperation are:

--methodological help in the elaboration of enterprise plans, furnishing information about national economic plan concepts and about the probable development of conditions in enterprise management, organizing consultations in some cases, etc.;

--the affected enterprises' participation in different forms in national economic planning, thus: cooperation in the elaboration and discussion of technical/economic concepts, in domestic preparations for plan-coordination conferences conducted with the CEMA countries, in preparations for direct state decisions, in the development of some studies and computations, in giving opinions on the changes projected for national economic plan concepts and regulatory measures and, in addition, the elaboration of strategic concepts on the part of the most important enterprises.

The modernization trends in enterprise planning or rather in macroeconomic management conduct linked to it evolved in conformity with general tendencies in the future development of the macroeconomic management system and, within it, the planning system. The enterprises' independence must also find expression in enterprise planning. The enterprise plan cannot be an administrative device from outside. Its chief function is to lay the groundwork for the enterprise leadership's activity and, in the interest of this, to determine the agenda for goals and implementation. This must correspond to the enterprise planning system, to the course and methods of plan elaboration, and to the plan's time frame and indicators.

#### The Enterprise Plan

The enterprise plan is approved by the enterprise body responsible for it and in some cases by the enterprise director. What must be taken into account during elaboration and approval of the enterprise plan is that the affected enterprise has to implement the state decision (if there is one) pertaining directly to it in the national economic plan.

The enterprise or its leadership cannot be responsible to any outside forum whatsoever for the content of the enterprise plan and fulfillment of its indicators. At the same time, the enterprise leadership is responsible to the enterprise supervisory body which approves the plan, although, of course, this body must primarily evaluate the successfulness of development and not merely fulfillment of the plan.

Several persons have recently suggested that the development of close contact between national economic and enterprise planning could be served by the system of agreements which have been reached between macroeconomic management agencies and the enterprises. Concluding such agreements is in fact justified in cases

where it involves special state support for some enterprise's developmental activity or current operation (this is advisable only within a narrow province, in the interest of attaining a definite developmental goal or of restoring the enterprise's economic/financial unity).

At the same time, it would be harmful to make agreements between state supervisory agencies and economic organizations common because:

--the economic organizations' planning and administrative independence in determining their goals would end, as would the possibility for flexibility in enterprise planning, since the consent of state agencies would be necessary for altering plans;

--the orientation of the enterprises' economic activity would become distorted; not so much market-oriented as "state-oriented" activity would be pursued. Their main endeavor would be to have their concepts accepted "as the national economic interest" by the state agencies and to obtain title to greater special advantages;

--the economic regulatory system would become distorted. The regulators affecting individual enterprises would express the result of special negotiations and not the efficiency requirements of the national economy. The enterprises' economic results would become incomparable. The possibilities would become narrower for state supervision to flexibly obtain the rapidly changing conditions through the modification of regulators;

--the scope of authority of sectoral agencies would increase in influencing enterprise administration and economic regulation, particularly in the development of special regulators. The state's macroeconomic management activity would hereby become more one-sided;

--the nature of national economic planning would change, and it would be obligatory to focus attention on the elaboration of "targets" which can be given in detail as "enterprise tasks." Planning would thus concern itself less and less with fundamental economic processes.

Because of all this, it is not advisable to see to it that agreements between enterprises and macroeconomic management agencies become a common measure. Indeed, it is simultaneously necessary to narrow the scope of applicability of the agreements by eliminating special regulatory measures and distribution methods: they must be limited to the sphere in which, at a given time, the application of special measures and methods is absolutely justified.

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HETI VILAGGAZDASAG RANKS TOP 100 ENTERPRISES

Budapest HETI VILAGGAZDASAG in Hungarian No 51-52, 22 Dec 84 p 44

[Article: "List of Top-Ranked Enterprises 1984"]

[Text] Maybe we will succeed in creating a tradition in our newspaper by publishing the order of rank of the 100 largest Hungarian enterprises. So, like last year, we are doing it this year, too, hoping that we can hereby offer the reader a reading selection suitable for browsing and perhaps for additional use.

From among the 2,727 domestic enterprises and cooperatives--nonagricultural economic organizations which are required by the Finance Ministry to prepare a financial report in the third quarter of the year--51 more than last year, the computer chose the 100 which, on the basis of gross production value according to the situation on 30 September 1984 (and not likely to change by the end of the year), were the largest in Hungary. The bulk of the participants maintained their positions from last year or only wandered forward or backward a few notches. There are, however, noteworthy newcomers, too. The Volan Trust, which was liquidated during the year, was naturally left out of the pack, and the Distilling Industry Enterprises' Trust vanished from last year's 33rd spot.

The most interesting movement can be discovered in the middle section. For example, the Hungarian Ship and Crane Factory slipped from last year's 42nd spot to 56th, Medicor [Medical X-Ray Equipment Enterprise] from 55th to 74th. Compack was forced back by 13 places and Precision Mechanics Enterprise, now number 81, by 14 places. At the same time, the Seed Producer and Sales Enterprise leaped ahead a gigantic 29 places, last year's number 60 Refrigerator Factory worked its way up to the 45th spot. Number 64 Metalloglobus [Trade Enterprise for Metal Products] became number 55, and BHG [Beloianisz Telecommunication Factory] and Caola took a big step upward. There were also significant place changes in the bottom one-third. The South Hungarian Civil Engineering Enterprise, which placed 88th last year, and the straggling United Chemical Works dropped directly out of the competition, while the Hajdusag Industrial Works, the Synthetic Materials Processing Enterprise of the Pest megye and the Dorog Coal Mines made their way as newcomers into the "100 Club."



This time, too, the method of computing the gross production value was the following: the consumers' price subsidies (if there are any) are added to the sales revenue of the produced goods, the turnover tax (if there is one) is subtracted from it, and the net sales revenue is thus obtained; this sum is then corrected by the balance of opening and closing stocks. In certain sectors, some smaller items must still be subtracted from or added to the sum thus computed.

In determining the order of rank according to export sales revenues--exports rendered in rubles and those not rendered in rubles are distinct--the computer listed the individual enterprises not from among the first 100 but the first 200. Thus those alongside whose name no numbering appears in these two columns did not manage to get into the first 200 on the basis of this criterion. Moreover, no essential change took place in "export competition" since last year; the leaders, at least, are the same. In exports rendered in rubles, the first this year is also Ikarus, second is Mogurt [Foreign Trade Enterprise for Motor Vehicles] (since the latter is the export partner of the former, the reason for this is only an accounting technicality), third is the Aluminum Industry Trust and fourth is Raba [Hungarian Wagon and Machine Factory]. In exports not rendered in rubles, the Livestock Trading and Meat Industry Trust receives the honors this year, the National Oil and Gas Industry Trust is again second, and changing places were the Aluminum Industry Trust, which placed third last year, and the Grain Trust, which placed fourth. It is interesting that last year's number 13 Vegetable Oil Industry Enterprise became number 5 this year in non-ruble exports.

It must also be noticed that--on the strength of the facts--this year the first 100 enterprises ranked according to gross production value place in the first 100 according to work force strength as well; so the most populous economic organizations are simultaneously the biggest producers and service enterprises.

Order according to gross produc- tion value		Enterprise's name	Order according to		
1984	(1983)		ruble sales revenue	non- ruble sales revenue	work force strength
1	(1)	National Oil and Gas Industry Trust	16	2	3
2	(2)	Electricity Works Trust	--	--	4
3	(3)	State Meat Industry Trust	14	1	5
4	(4)	Hungarian State Railways	8	6	1
5	(5)	Grain Trust	22	4	9
6	(8)	Aluminum Trust	3	3	10
7	(7)	Milk Industry Enterprises' Trust	--	26	13
8	(9)	Raba Hungarian Wagon and Machine Factory	4	7	12
9	(10)	Ikarus Bodywork and Vehicle Factory	1	59	26

Order according to gross produc- tion value		Enterprise's name	Order according to		
1984	(1983)		ruble sales revenue	non- ruble sales revenue	work force strength
10	(12)	Tisza Chemical Combine	9	9	47
11	(11)	Agricultural Machine Trust	5	22	6
12	(13)	Danube Iron Works	71	15	24
13	(14)	Hungarian Post Office	--	72	2
14	(15)	Paper Industry Enterprise	36	52	20
15	(16)	Lenin Metallurgical Works	27	16	15
16	(18)	Videoton	7	32	11
17	(17)	Ozd Metallurgical Works	46	14	19
18	(19)	Csepel Auto Factory	130	--	30
19	(20)	Borsod Chemical Combine	65	17	42
20	(23)	Vegetable Oil Industry Enterprise	128	5	79
21	(21)	Taurus Rubber Industry Enterprise	28	19	25
22	(22)	Budapest Transportation Enterprise	--	--	8
23	(24)	Capital Gas Works	--	--	80
24	(26)	Kobanya Pharmaceutical Products Factory	10	24	51
25	(25)	Cement and Lime Works	--	97	41
26	(27)	Tungstam Corporation	18	12	7
27	(32)	Glass Industry Works	108	46	16
28	(29)	Nitrokemia	44	43	60
29	(31)	Csepel Works Metallurgy	103	48	83
30	(30)	Peti Nitrogen Works	--	13	66
31	(28)	Chinoin Pharmaceutical and Chemical Products Factory	15	21	63
32	(37)	Hungarian Cable Works	38	47	74
33	(35)	Ganz-Mavag Machine Factory	29	42	23
34	(34)	Joint Enterprise for Preparation of Metallurgical Raw Materials	--	141	76
35	(38)	Brick and Tile Industry Trust	--	--	17
36	(36)	Csepel Iron Works	93	40	73
37	(39)	Hungarian Confectionery Industry	--	167	81
38	(46)	Diosgyor Machine Factory	26	28	34
39	(48)	United Pharmaceutical Factory	33	30	67
40	(40)	Tatabanya Coal Mines	181	171	22
41	(41)	Borsod Coal Mines	--	--	14
42	(50)	Hungarocanon International Auto- motive Transport Enterprise	--	11	54
43	(43)	Marketing and Stockpiling Enterprise for Forestry and Lumber Industry	--	51	58
44	(52)	Hungarian Air Transport Enterprise	20	8	68
45	(60)	Refrigerator Factory	55	31	53
46	(53)	Concrete and Ferroconcrete Industry Works	--	--	46

Order  
according to  
gross produc-  
tion value

Order  
according to  
ruble non- work  
sales ruble force  
revenue sales strength  
revenue

1984	(1983)	Enterprise's name			
47	(45)	Cotton Press Industry Enterprise	41	55	27
48	(47)	Salgotarjan Metallurgical Plants	--	88	71
49	(54)	Capital District Heating Works	--	--	91
50	(51)	Tisza Chemical Works	--	80	92
51	(57)	Budapest Chemical Works	197	195	95
52	(58)	Graboplast Artificial Leather Factory	58	60	78
53	(--)	Volan Number 1 Enterprise	--	--	21
54	(49)	Mecsek Coal Mines	--	--	18
55	(64)	Metalloglobus Trade Enterprise for Metal Products	--	39	86
56	(42)	Hungarian Ship and Crane Factory	11	69	36
57	(44)	Compack Commercial Packaging Enterprise	--	--	97
58	(96)	State Construction Enterprise No. 43	--	--	40
59	(66)	Cotton Spinning Industry Enterprise	--	67	55
60	(65)	Trash and Garbage Collection Trust	--	81	38
61	(--)	Veszprem Coal Mines	--	--	28
62	(63)	Matraalja Coal Mines	--	--	50
63	(92)	Seed Producer and Sales Enterprise	94	29	77
64	(70)	Northern Hungary Chemical Works	37	95	82
65	(62)	Hungarian Cold-Storage Industry	--	54	64
66	(68)	Household Textile Enterprise	--	186	48
67	(74)	Alkaloid Chemical Factory	77	44	90
68	(59)	Construction Shipping Enterprise	--	--	31
69	(72)	Hungaria Synthetic Materials Processing Enterprise	105	158	94
70	(81)	Ganz Electricity Industry Works	51	58	52
71	(82)	Beloianisz Telecommunication Factory	24	115	32
72	(75)	Hydraulic Construction Industry Trust	--	--	35
73	(69)	Budalakk Paint and Dye Factory	--	--	99
74	(55)	Medicor Medical X-Ray Equipment Enterprise	30	82	33
75	(73)	Pipe Fitting Industry Enterprise	--	--	65
76	(77)	State Construction Enterprise of Bacs megye	--	120	44
77	(93)	Caola Cosmetic Household Chemical Industry Enterprise	--	--	96
78	(83)	Kobanya Brewery	--	--	72
79	(86)	Biogal Pharmaceutical Factory	114	71	88
80	(95)	Budapest Leather Industry Enterprise	--	155	87
81	(67)	Precision Mechanics Enterprise	19	177	62
82	(84)	Hungarian Optical Factory	34	139	37

Order according to gross produc- tion value		Enterprise's name	Order according to		
1984	(1983)		ruble sales revenue	non- ruble sales revenue	work force strength
83	(71)	Oroszlany Coal Mines	--	--	39
84	(76)	Enterprise for Construction and Installation of Chemical Works	--	181	45
85	(78)	Hungarian Silk Industry Enterprise	111	89	56
86	(94)	Electric Installation Industry Enterprise	--	191	70
87	(85)	Peremarton Chemical Industry Enterprise	--	128	98
88	(79)	State Construction Enterprise of Gyor megye	--	--	43
89	(87)	Poultry Processing Enterprise	136	20	93
90	(98)	Hungaria Hotel Enterprise	--	--	29
91	(97)	Mogurt Foreign Trade Enterprise for Motor Vehicles	2	63	100
92	(89)	Machine Tool Industry Works	53	198	57
93	(96)	December 4th Wire Works	--	50	89
94	(--)	Hajdusag Industrial Works	154	145	75
95	(--)	Synthetic Materials Processing Enterprise of Pest megye	--	--	85
96	(80)	Foundry Enterprise	110	--	61
97	(91)	Mahart Hungarian Shipping Company, Inc.	164	18	69
98	(90)	Tisza Shoe Factory	113	108	59
99	(--)	Dorog Coal Mines	--	--	49
100	(99)	Hungarian Viscosa Factory	171	--	84

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## FORUM EXAMINES METHODOLOGY OF PLANNING

Budapest FIGYELO in Hungarian 6 Dec 84 p 4

/Article by I. W.: "Professional Forum: Shop Secrets of Planning"/

/Text/ The National Plan Office and the Hungarian Economics Association held a joint professional forum on 12-13 November 1984. We present a review of the debate-initiating lectures of the various sections. The debate-initiating lectures were given by Zsolt Amon, Sandor Czirjak, Ervin Frigyes, Zsolt Ormos, Laszlo Szabo and Andras Vertes; all from the National Plan Office.

The lecture concerning links between planning and forecasting established that there is not yet sufficient harmony between long-range and short-range forecasts. The results of long-range forecasts can hardly be traced in annual and 5-year planning. In the course of preparing the Sixth 5-Year Plan the plan period was divided into two phases in order to counterbalance the uncertainty of the forecasts; concrete state developmental decisions were not made in regard to the latter years. The plan outlined alternative economic behavior for changes in conditions. These methods basically proved themselves.

One of the weak points in laying foundations for the medium-range plan is that predicting the development of performance, primarily the development of the efficiency of production, and predicting enterprise behavior are at a low level. For this reason, among other things, the subsequent withdrawal of a part of the incomes realized by the enterprises became necessary.

The lecturer criticized the practice whereby the forecasts prepared by various organizations are not always allowed to clash. The opinion of various interest groups has an excessive influence in the forecasts. He recommended the preparation of several independent forecasts to eliminate this and in this connection he recommended creation of new research institutes.

### Uncertainties of Predictions

In connection with preparation of the Seventh 5-Year Plan it was established that with the improvement of our international financial situation we should replace the short-range (and short-sighted) economic planning, which was



unavoidably used earlier, with planning behavior taking a longer view, concentrating on the medium and long term in the most important questions of economic policy.

Charting the enterprise behavior to be expected is indispensable in the interest of forecasting internal economic processes. In connection with this he called attention to the importance of enterprise consultations, which are organized primarily by the Economic Research Institute and the Hungarian Chamber of Commerce.

Analyzing the complex methodological interdependencies of planning economic structural change, one of the lectures pointed out that a significant ratio shift has taken place between central and enterprise investments, to the benefit of the latter. This makes the situation of planning more complicated since it can have an effect on an increasing proportion of the assets which can be turned to investment only indirectly, via the regulator system.

It also makes the situation difficult that the share in investments of branches producing primary materials has increased and the share of processing activities has decreased. This is contrary to the goal of increasing the weight of processing industry products--primarily machine industry products--in export in the interest of creating a lasting external economic balance.

According to what was said in the lecture a possibly wrong decision regarding structural change can be corrected only with a good bit greater material sacrifice and it is very difficult to make up the time lost in this way. The national economy carries the consequences as a handicap and because of this could be forced onto a constrained path for a long time.

The concept of economic performance (and of an increase in performance) is one of the most complex economic categories and despite innumerable attempts a precise definition of it has not yet been given in an unambiguous way acceptable to all. Despite the lack of definiteness the concept is used in practice as if it were self-evident. The reason for this is probably that in everyday work we are forced to restrict the limits of the concept to such a size as not to run into the restraints of "measurability" and "definiteness." That is, we narrow the concept to those "growth phenomena" where we have adequate and tested methods for measurement, analysis of development over time and for explanation of interdependencies with other economic phenomena--it was said in one of the debate-initiating lectures.

The chief question in connection with this is a more solid planning of the interdependencies of the efficiency and balance factors of growth. Within this framework we work out performance indicators corrected by price losses and interest payments; planning analyses from many sides the various figures measuring the balance and the development of partial and complex efficiency.

#### How Performance Can Be Measured

The spread of the "new organizations" raises practical accounting and planning problems. Production in this area--not counting the VCM's /enterprise economic

work associations/ and the small enterprises--is reported on only once a year. Thus only very uncertain estimates can be prepared during the year. Realistic forecasting of performance is also confused by the fact that the sales receipts of the VGM's also appear in the current production costs of the state enterprises--since for the most part they are working for the parent enterprise--and this causes significant accumulation. Ideas are being developed to solve the problem.

The lecture concerning the information system for economic guidance established that this is a relatively new category. The existing information systems were criticized primarily because they developed--historically--under conditions where the direct guidance functions of national economic planning were preponderant. In the present phase these information systems cannot be made to work efficiently and they are not capable of perfectly satisfying the qualitatively increased needs.

Creating an efficient economic guidance information system is a large and complicated task which can be realized only with the cooperation of every guiding organization and with a coordination of their information development programs. The lecturer talked about the problems which make it difficult to operate the existing computer capacity integrated for such a purpose. He said that this work is proceeding unnecessarily slowly and is being dragged out, yet there is already a nucleus in statistics, based on economic balance calculations, which could constitute a basis for further progress. From this viewpoint it would be a big step forward if the most important financial balances and calculations could be built into a uniform, macrolevel economic accounting system as a result of developments under way in the Ministry of Financial Affairs.

One of the debate-initiating lecturers gave a picture of the complicated problems of price planning and price modelling. Planning work is directed partly at defining factors of a predictive character and partly at defining factors influencing price development. What is unique in this work is that the price, which is originally a product category, appears in the present price mechanism as a product and an enterprise category but appears in planning as a branch (sometimes special branch or main product group) category or as a macrocategory linked to final use.

#### Price Planning

Price planning is made difficult by the fact that it would be necessary to know the foreign trade prices that determine the final price (at the product and enterprise level) in order to plan domestic prices and incomes. In contrast to this what is available are price predictions showing export-import price changes for the various branches, but these frequently differ substantially from the former--since they have a different structure and are broken down in a different way.

There is an increased need for the most precise possible outlining of price trends when planning consumer price changes which significantly influence the development of the standard of living. The problem where is that because

of the character of the observations in the area of processed products the producer and consumer price statistics differ from one another.

One can approximate the complex effect of regulatory changes on prices only with computerized procedures. In addition, beginning in 1985, the economic calculation will be introduced in place of the present so-called distribution or substitution calculation. More than before these changes make it necessary to take into consideration--in addition to foreign trade price changes--the development of market relationships for the various sections and the anticipated enterprise behavior when developing the price indexes.

Social planning is a relatively new element in national economic planning. One of the debate-initiating lecturers talked about these problems primarily in connection with population problems. He stressed that the future demands on planning the social and population processes will be substantially greater.

It follows from the general economic situation that distributing the assets which can be turned to welfare purposes is a difficult task. The significance of taking stratum effects into consideration is increasing in planning.

The lecturer pointed out that the effect of measures taken (or neglected) in the interest of realizing population policy goals will be reflected in the age group, birth ratio, employment and social problems of the middle of the next century. In connection with this he talked about the dilemma between the expectations attaching to social value systems and social equity, on the one hand, and the requirements connected with economic efficiency and the economic balance on the other.

Unfortunately only a small number of practical planning experts participated in the debates in the various sections--as a result of organizational deficiencies. Despite this a lively, useful exchange of ideas developed in a few sections. Conceptual differences connected with measuring the real value of economic growth came to the surface in this way and the commentators in virtually every section attributed great significance to international comparison. They emphasized that the methods for planning the production structure differ substantially as a function of the time distance and the character of the structural problems.

There was a discussion concerning methods to increase the reliability of predictions, of price forecasts among others. The fact that differences of view became clear in this regard will aid future planning work. It appears that the path to be followed is multiplicity, the coordination of differing opinions. Although the professional dealt primarily with the methodology of national economic planning they emphasized in the debate the necessity of changing the relationship to enterprise planning and the importance of getting to know the enterprise opinions.

HUNGARY

OFFICIAL ADDRESSES PROBLEMS OF WAGE REGULATION

Budapest FIGYELO in Hungarian 6 Dec 84 p 5

/Article by Lajos Konya, deputy chairman of the State Office of Wages and Labor: "Earnings Regulation; Possibilities and Stumbling Blocks"/

/Text/ Putting the level of profitability into the center of the interest relationships was of theoretical significance in the modification of earnings regulation which took place in 1983. In the system of earnings regulation also this began to force back the tyranny of increment type interest which had lasted for decades, began to force back the much criticized base view.

But the forwardlooking aspects of the system could hardly develop as the parameters for it were determined by the wage increasing possibilities which were necessarily small due to the 1983-1984 balance situation. A strict limit on purchasing power came to the fore as opposed to the incentive function. It only sharpened the contradiction that while in general it was not possible to increase wages proportional to the extra performance of work done during main working time it did become possible in small undertakings.

The modernization of the guidance system is now creating a possibility for real changes to take place in earnings regulation beginning in 1985. Earnings level regulation, which we developed from the experimental "A" model, represents the greatest progress within the system, because:

--it is a break with increment interest (separate taxation of increments in earnings ends, a progressive tax burdens the entire earnings), in this way it is a freer system than any earlier regulation from the viewpoint of performance incentive and convertibility among resources;

--it ends enterprise's average wage supervision and its consequences; the progressive earnings tax is calculated by individuals (it is "structured"), this ends an interest in "personnel dilution" and removes every administrative obstacle from the path of rational enterprise management.

Earnings increment regulation, which we developed from the experimental "C" model, also improves conditions for incentive to a significant degree:



--as in level regulation this also is based on the tax bearing ability of the enterprise, so it also breaks with increment interest on the performance side;

--in regulating earnings, however, it maintains the category of enterprise average earnings and separate taxation of the increment of it, base interest. But this progressive tax is only one-third or one-quarter of the present one. With the simultaneous introduction of the linear wage tax the center of gravity of taxation shifts to a significant degree from the average earnings increment to the entire volume of earnings.

In the first 2 years both basic models will contain a so-called supplementary element the goal of which is to have the redistribution of earnings ratios deriving from the conversion--in harmony with the tax bearing ability--take place with manageable gradualness (stretched out over 2-3 years). In this way the possibility of increasing earnings will be linked more closely with an increase in performance. Although the supplementary element has an increment character it will not hold back increases in earnings which are in harmony with an increase in performance (!). Experiences with the experiments support the necessity of the supplementary element, for we could meet with more than a few cases where the increase in earnings was not coupled with a proportional increase in performance.

The antithesis of the supplementary element is the so-called stricter central regulation, which will make it possible to prepare the enterprises being forced to do it for more efficient management without in the meantime forcing them to reduce earnings.

The supplementary element may be eliminated within a few years; on the one hand, after the 2-3 year "run-in" period the basic systems themselves will force an increase in performance and, on the other hand, it is presumed that fewer will be forced into the stricter central regulation.

#### To Choose, But What?

The various subbranches are being assigned to the different earnings regulation forms on the basis of a central decision. But the enterprises can deviate from this according to definite rules.

According to the central assignment areas outside the competitive sphere and a few subbranches "in crisis" will be put into the so-called central earnings regulation; that part of the competitive sphere where the market and price situation hides the danger of unjustified price increases cannot be assigned to level regulation but only to increment regulation; the bulk of the competitive sphere will be assigned to earnings regulation.

If their tax bearing ability will not tolerate the burdens of level regulation, the enterprises can choose increment regulation, and if they cannot tolerate even that they can choose the stricter central form.

The choice will require calculation, weighing and preparatory work, for the decision will be valid for several years. Earnings level regulation, although



it involves greater risks (no guaranteed wage level and a heavy tax burden), offers greater possibilities for development. The situation survey should be prepared in several versions looking forward 2-3 years. Static calculations done on the basis of actual figures for 1983 are not suitable for this.

On the basis of our estimates the enterprise choices may differ as follows, as compared to the central assignment:

#### Division of Managing Units According to Earnings Regulation Methods

	Percent	
	According to Central Assignment	On Basis of Choice of Managing Units*
Earnings level regulation	60	40
Increment regulation	15	20
Central earnings regulation	25	25
Stricter central regulation	--	15

\*Estimated data; the enterprises must decide by the end of January 1985.

The goal is for almost all of the competitive area to go into level regulation within a few years--with the expiration of the preparatory (tolerance) time.

The basic question is whether earnings regulation oriented toward an increase in performance can be realized in such a way as to make it possible to pay for rising performance in main work time also. It is expected that earnings regulation will make this possible, but the regulators are not enough to develop a vigorous stimulating effect. They only provide a possibility for more vigorous incentive, they do not guarantee it. Developing incentive wage payment within the enterprise and developing internal interest systems are also indispensable conditions. The first action of those who played a positive role in the wage regulation experiments was to develop an internal interest system which laid the foundations for a performance background, and only following this did they increase earnings in harmony with actual performance. Those who played a negative role began with the latter--and gave a thousand reason for it--and many of them forgot about the former.

The experiences with the experiment will help much in judging the expected effects of the new system. The economic units participating in the experiment achieved substantially better results than the average and even better than their own earlier performance. Production and productivity increased dynamically, costs management improved, profit per 100-forint wages increased significantly and the increase in the price level did not exceed the average. For the most part appropriate extra performance stood behind the dynamically increasing earnings. Wages were more differentiated; payment of lump sum awards was a frequent method. The organization of and preparation for work improved. The independence and responsibility of individual sections and the authority of the enterprise collectives increased in a worthy manner, not only in the distribution of the social allotments but increasingly in creating the sources for increases in earnings also. Naturally we must also reckon with the fact that mass use of the new models will provide different experiences than the experiment involving 120 volunteers.

## Exchange of Live Work and Embodied Work

The convertibility of live work and embodied work will change fundamentally. Whereas today only 5-8 forints out of 100 forints worth of material savings can be turned to wages, in earnings level regulation it will be 40-50 forints (!) or 50 forints for investment, and it will be 15-25 forints in increment regulation. These proportions will create more substantial interest and will give the managing units freedom for rational decisions--not only in theory but in practice as well.

To a large degree the "hard" and "soft" forints, which have caused much waste, will come closer to one another. Wages, as hard forints, will become more accessible and respect for cost management will increase--as a result of the expected hardening of market and budgetary conditions. But time will be required for the latter and we can expect only gradual improvement. So it will be justifiable to end administrative constraints on the price mechanism only where and to the extent that the natural constraints of the market are capable of taking their place. In the given situation more flexible earnings regulation will--in all probability--bring to the surface the reserves hiding in incentive better than a freer price mechanism with even more rigid wage regulation.

An exchange of live work and embodied work at the national economic level, an exchange which can be called rational, will be aided in the future by the fact that we will gradually end the undervaluation of live work among the resources in enterprise costs structure and interest. This will be served by various earnings proportional taxes, by the plan to make the city and community development contribution wage proportionate beginning in 1986, by reducing consumer price supports, by increasing turnover taxes, etc. This is also an important condition for the introduction of earnings regulation forms ensuring freer wage management free of (or less burdened by) administrative restrictions. These models will be incapable of functioning in the event of a significant undervaluation of live work.

A uniform evaluation of live work includes putting an end to the anomaly caused by "cheap base and expensive increment wages" as well. Level regulation will end this completely and increment regulation will moderate it to a large degree.

The tension in manpower supply and demand is expected to be resolved as a result of incentive and constraining forces and with the aid of an expanding institutional system for manpower management (intermediating offices, retraining support, etc.). Level regulation will end completely and increment regulation will end to a large degree the interest in personnel dilution without our providing special incentive for manpower conservation.

## To Take Risks--In a Considered Way

As a result of intensive, short term wage interest it is expected that pressure to increase earnings will strengthen, especially if free monetary assets are available. There is a danger that, in the interest of increasing earnings, even the necessary technical development and investment will be neglected in places, and this would endanger the possibility for future wage increases as

well. Especially at the time of signing the collective contracts a way must be found to harmonize the short and long-range interests of the collective.

For decades the enterprises could spend all of the sums intended for wage increases without any real management considerations. Now the situation is different; they can manage only with suitable reserves, otherwise failure will quickly follow. The enterprises can commit themselves to increasing base wages only in a secure situation, because this is difficult to reverse. A greater role should be given to sliding wages, and if it turns out that the result is likely to be less than expected then the measures necessary for a retreat must be taken immediately. In certain cases one must reduce the sliding earnings and personnel as well.

The risk and the conflicts to be expected can be reduced to a large degree by improving the conditions for forecasting, with a basic knowledge of the regulatory system, with a careful survey of the enterprise position and by bringing in the collective in an appropriate way. The wisdom and responsibility of the leaders receive special emphasis in the new situation. The experiments have already proved this.

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CSO: 2500/133

HUNGARY

BRIEFS

ENVOY'S FAREWELL VISIT--Rezso Trautaman, deputy chairman of the Presidential Council, received on a farewell visit Jacob Okanza, the ambassador of the People's Republic of the Congo, who left Budapest permanently. [Text] [Budapest NEPSZABADSAG in Hungarian 12 Jan 85 p 21 AU]

VISIT BY GDR DELEGATION--An SED party workers delegation led by Gunther Schneider, deputy head of a department, paid a visit to Hungary from 7 to 11 January at the invitation of the MSZMP Central Committee. The delegation held talks with Sandor Boros, Janos Barabas, and Tibor Ritter, deputy heads of departments of the Central Committee, on the experiences of ideological work. The guests were received by Erno Lakatos, head of a department of the Central Committee. [Text] [Budapest NEPSZABADSAG in Hungarian 12 Jan 85 p 21 AU]

COOPERATION TALKS WITH FINLAND--The technological-scientific work group of the Joint Hungarian-Finnish Committee [of] Trade and Cooperation held its session in Budapest from 10 to 11 January. The protocol signed in the International Cultural Institute provides for the development of relations. [Text] [Budapest NEPSZABADSAG in Hungarian 12 Jan 85 p 21 AU]

CSO: 2500/163

ROMANIA

BRIEFS

TRADE PROTOCOL WITH POLAND--Warsaw, 8 Dec (AGERPRES)--A protocol on the mutual deliveries of goods and the payments between Romania and Poland in 1985 was signed in Warsaw, on 8 December. The signed documents provide a further enhancement of the mutual deliveries of goods over the next year. [Text] [Bucharest AGERPRES in English 1838 GMT 8 Dec 84 AU]

COOPERATION PROTOCOL WITH DENMARK--Copenhagen, 8 Dec (AGERPRES)--The protocol of a session of the Romanian-Danish Joint Governmental Commission on Economic, Industrial, Technological and Scientific Cooperation was signed in Copenhagen. The sides agreed to make all efforts to enhance and diversify their exchanges, to intensify the bilateral cooperation as well as on third markets in agreement with the two countries' economic potentials, and to develop continuously the technical and scientific cooperation of mutual interest. [Text] [Bucharest AGERPRES in English 1839 GMT 8 Dec 84 AU]

IRRIGATION SYSTEM CONSTRUCTION--Bucharest, 8 Dec (AGERPRES)--Construction works are in full progress on the largest irrigation system in Romania. It lies in the eastern part of Romania, north of the town of Galati, in an area delineated by the Danube (in the south), the rivers Prut and Siret (in the east and the west respectively) and the Moldova Plateau (in the north). This, known as the Covorlui Plains, extends on 220,000 hectares (made up of pools and highly eroded terrains, some of them 300 m in height). Started in 1980, the aforesaid system is to be completed in eight years' time. At present, more than 5,000 people are involved in construction operations and they are helped by adequate equipment (excavators, drainlines, tip lorries, bulldozers, scrapers). The completion of the irrigation system in the Covorlui Plains will result in the fertilization of the soil in that area, the sensible diminution of the periods of drought, which is severe at times, as well as less torrential rains. Concomitantly, drainage, land improvement and soil-erosion-control works will be performed, while the flows of all the rivers in the area will be regulated. [Excerpt] [Bucharest AGERPRES in English 1230 GMT 8 Dec 84 AU]

FISHING FLEET STATISTICS--Bucharest, 8 Dec (AGERPRES)--Romania has 42 trawlers and 12 refrigeration vessels operating in fishing grounds in various seas and oceans that contribute 60 percent of its fish catch put at more than 230,000 metric tonnes a year. Ocean fish production is expected to rise to 300,000 metric tonnes in the years ahead. Ocean fishing craft began to be made at home in the eighties. In just a couple of years, four fishing vessels were



made at Braila--with a capacity of 5,280 dwt and developing speeds of 14.6 knots per hour, they are highly mechanized and can compare with the best made abroad in pointing to fishing gear. In the meantime, at Galati, the first refrigerating ships were built using the designs contributed by a local ship-building research and design institute. Vessels of 6,800 (?dwt) are made here that can fully accommodate 4,000 ton catches. Their engines, made by the Resita works, can develop speeds of up to 16.5 knots per hour and navigate 10,000 nautical miles without refueling. Refrigeration equipment is also made at home, in Bucharest, Cluj-Napoca, Iasi and Constanta. [Excerpts] [Bucharest AGERPRES in English 0935 GMT 8 Dec 84 AU]

CSO: 2020/46

YUGOSLAVIA

CHANGES IN LAW ON FOREIGN INVESTMENT IN DOMESTIC ENTERPRISES

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 64, 23 Nov 84 pp 1404-1407

[Law adopted by the SFRY Assembly in a session of the Chamber of Republics and Provinces on 27 November 1984 and signed in Belgrade 27 November 1984 by Veselin Djuranovic, chairman of the SFRY State Presidency, and Dusan Alimpic, president of the SFRY Assembly: "Law on Amendments and Supplements to the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor"]

[Text] Article 1

In the Law on Investment of Capital of Foreign Persons in Domestic Organizations of Associated Labor (SLUZHBI LIST SFRJ, No 18, 1978) a new Paragraph 2 shall be added after Paragraph 1 in Article 4, to read as follows:

"The investment contract shall be subject to approval of the federal administrative agency competent for energy and industry."

The previous Paragraph 2 shall become Paragraph 3.

Article 2

In Article 6, Paragraph 1, the words "regulation which" shall be replaced by the words "regulation or set forth measures of current economic policy whereby".

Article 3

Article 7 shall be deleted.

Article 4

In Article 8, Paragraph 1, Subparagraph 2, after the words "total amount" shall be added the words "of necessary".

Paragraph 2 shall be amended to read as follows:

"A domestic organization of associated labor and foreign person may set forth standards governing material costs and criteria for determining the rate of depreciation and also standard inputs of current labor in creating products and performing services involved in the joint business operation (number of job positions and specialized qualifications of personnel, time coefficients and other standards governing the performance of jobs involved in the joint business operation)."

#### Article 5

After Article 8 a new Article 8a shall be added to read as follows:

##### "Article 8a

"The investment contract may foresee that the domestic organization of associated labor and foreign person will obtain a portion of the capital to finance the joint business operation through credit or a loan.

"The amount of the credit or loan referred to in Paragraph 1 of this article may not be greater than the amount invested by the coinvestors.

"The credit or loan referred to in Paragraph 1 of this article shall be paid off from the income realized through the joint business operation before its distribution to the coinvestors.

"If the income from the joint business operation is not sufficient to pay off the credit or loan referred to in Paragraph 1 of this article, the contracting parties are required to furnish funds for the repayment in proportion to the stipulated sharing of the risk involved in the joint business operation."

#### Article 6

After Article 9 a new Article 9a shall be added to read as follows:

##### "Article 9a

"Other foreign persons and other domestic organizations of associated labor may also enter into the investment contract even if they are performing only one part of the investment contract, under the conditions acceptable to the contracting parties who are engaging in the joint venture."

#### Article 7

In Article 10, Paragraph 1, after the word "activities" a comma and the words "except for health and recreation services" shall be added.

#### Article 8

After Article 10 a new Article 10a shall be added to read as follows:

"Article 10a

"A foreign person may invest in a domestic organization of associated labor in the form of foreign exchange, but also in the form of things and rights which constitute implements of labor and subjects of labor.

"Up to the limit of the value of the capital invested set forth in the investment contract the foreign person may invest in the domestic organization of associated labor, pursuant to legislation, equipment, production supplies or raw materials only if they are not produced in the necessary quality and quantities and at appropriate prices in Yugoslavia.

"A foreign person may also invest in a domestic organization of associated labor the right to a patent, the right to an industrial design or model, the right to a trademark, the right to manufacturing instructions and to knowledge and experience, pursuant to federal law."

Article 9

Article 11 shall be deleted.

Article 10

Article 14 shall be amended to read as follows:

"A domestic organization of associated labor and foreign person may establish a joint professional management body within which they shall make decisions by agreement on current matters which arise in the joint business operation.

"The investment contract shall state the composition and powers of the joint professional management body referred to in Paragraph 1 of this article and the manner in which its members shall be chosen."

Article 11

In Article 15 a new sentence shall be added at the end of Paragraph 5 to read as follows:

"The contract shall set forth those questions which are to be decided by agreement regardless of the number of representatives in the joint professional management body."

Article 12

Article 16 shall be amended to read as follows:

"The joint professional management body shall make decisions on all matters concerning the joint business operation.

"The representatives of the domestic organization of associated labor on the joint professional management body shall be required, before making a decision

as referred to in Paragraph 1 of this article, to obtain the views of the bodies of self-management of the domestic organization of associated labor at whose disposition the invested capital has been placed."

#### Article 13

After Article 17 a new Article 17a shall be added to read as follows:

##### "Article 17a

"A domestic organization of associated labor in which the capital of a foreign person has been invested shall be required in its business books to indicate separately the income from the joint business operation with the foreign person."

#### Article 14

Article 18 shall be amended to read as follows:

"The basic organization of associated labor shall obtain income from the joint business operation with a foreign person when material costs and costs of depreciation, except for material costs which are expensed under the provisions of the law or are charged to working capital on the basis of inventories, have been reimbursed from the gross income realized through the joint business operation with the foreign person.

"If the basic organization of associated labor and foreign person have set forth standard material costs and criteria for determining the rate of depreciation which are to be applied in the basic organization of associated labor which is performing the investment contract, those costs shall be reimbursed from the gross income realized in the joint business operation according to those standards or criteria."

#### Article 15

After Article 18 six new articles shall be added to read as follows:

##### "Article 18a

"Obligations prescribed by law and expenditures charged to the income of the basic organization of associated labor and which are related to realizing the income from the joint business operation with the foreign person shall be settled from that income.

"The basic organization of associated labor shall not meet obligations or make expenditures from the income referred to in Paragraph 1 of this article to which the foreign person is entitled:

"1) for nationwide defense and social self-protection;



"2) for depreciation above the amount set forth in law, unless the contract stipulates otherwise;

"3) for fines for economic violations and misdemeanors and court fees unless the liability of the foreign person has been established;

"4) for insurance premiums on social resources and material rights which are not used in the joint business operation.

"Article 18b

"The workers in the basic organization of associated labor shall distribute the net income from the joint business operation with the foreign person into personal incomes and social service expenditure on the basis of the general self-management act which sets forth the bases and scales governing distribution of the net income of the basic organization in accordance with law, self-management accord and social compact.

"The workers in the basic organization of associated labor shall distribute the remainder of the net income from the joint business operation with the foreign person depending on the contribution and results achieved, on the basis of current and past labor:

"1) into the portion of the remainder of net income from the joint business operation to which the domestic organization of associated labor is entitled;

"2) the portion of the remainder of net income from the joint business operation to which the foreign person is entitled (profit) in proportion to the capital invested or according to other criteria as set forth by the contracting parties.

"Article 18c

"The portion of the remainder of net income from the joint business operation to which the foreign person is entitled shall constitute his share in income as compensation for economic employment of the capital invested in the year for which the net income from the joint business operation is being ascertained.

"Article 18d

"The workers in the basic organization of associated labor shall distribute the portion of the remainder of net income from the joint business operation to which the basic organization of associated labor is entitled into advancement and expansion of plant and equipment and into creation and renewal of reserves on the basis of a general self-management act setting forth the bases and scales governing distribution of the net income of the basic organization of associated labor in conformity with law, self-management accord and social compact.

"Article 18e

"The basic organization of associated labor in which the capital of a foreign person has been invested shall discharge obligations to the foreign person to repay the value of the capital invested in the amounts and at the intervals stipulated in the contract, in conformity with the contract on the joint investment.

"Article 18f

"The claims of the foreign person arising out of the joint business operation (compensation for economic employment of the capital invested) and recovery of the capital investment may also be indicated in a special recordkeeping account of the resources of the organization of associated labor in which the capital of the foreign person has been invested."

Article 16

Article 19 shall be deleted.

Article 17

In Article 22, Paragraph 4 shall be deleted.

Article 18

In Article 24, Paragraph 2, after the words "carry out" a comma and the words "pursuant to legislation," shall be added.

Article 19

In Article 25, Paragraph 1, in the introductory sentence the word "net" shall be added after the words "share in".

Article 20

After Article 25 a new Article 25a shall be added to read as follows:

"Article 25a

"The investment contract may provide that the obligation of the domestic organization of associated labor to the foreign person on the basis of its share in the remainder of net income from the joint business operation may be discharged by rendering the services which are the subject matter of the contract."

Article 21

Article 26 shall be deleted.

Article 22

Article 27 shall be deleted.

Article 23

After Article 28 a new Article 28a shall be added to read as follows:

"Article 28a

"The foreign person has the right to examine the business books of the basic organization of associated labor in which the income from the joint business operation is shown."

Article 24

Article 32 shall be amended to read as follows:

"In case of termination of the investment contract or termination of the domestic organization of associated labor, the foreign person shall be entitled to recovery of the value of the capital invested up to the amount of the claim in the special recordkeeping account of resources, if such an account is kept pursuant to Article 18f of this law.

"The value of the resources referred to in Paragraph 1 of this article shall be reduced in proportion to the amount of uncovered losses to be borne by the foreign person.

"If the claims of the foreign person arising out of the joint business operation are not indicated in a separate recordkeeping account pursuant to Article 18f of this law, in case of termination of the investment contract or termination of the organization of associated labor, the foreign person shall be entitled to recovery of the capital invested in the amount of the balance if partial repayment of the value has been made or in an augmented or diminished amount depending on the income realized through the joint business operation and exports."

Article 25

Article 33 shall be deleted.

Article 26

In Article 35, Paragraph 2, after the words "carry out" shall be added a comma and the words "pursuant to legislation," and after the word "other" shall be added the word "party."

Article 27

In Article 36 a new Paragraph 2 shall be added to read as follows:

"The investment contract may envisage the foreign person's right to recovery of the capital invested through the performance of services which are the subject matter of the contract on the joint investment."

#### Article 28

In Article 40, Paragraph 2, in the introductory sentence, after the word "append" shall be added the words "in five originals"; in Subparagraph 2, at the end, the semicolon shall be replaced by a period, and Subparagraphs 3 through 5 shall be deleted.

After Paragraph 2 a new Paragraph 3 shall be added to read as follows:

"Before submitting a contract for approval to the competent body referred to in Paragraph 1 of this article, the organization of associated labor is required to notify the Economic Chamber of Yugoslavia of its intention to conclude a contract."

The previous Articles 3 through 6 shall be deleted.

#### Article 29

After Article 40 a new Article 40a shall be added to read as follows:

##### "Article 40a

"The federal administrative agency for energy and industry shall record amendments and supplements to the investment contract calling for additional investments or reinvestment of the capital of the foreign person in production of products of the same kind under the contract already approved between the same contracting parties in a separate register accompanying the contract already approved.

"The domestic organization of associated labor must file the application for recording a contract in the separate register, in the context of Paragraph 1 of this article, with the federal administrative agency for energy and industry within 30 days from the date of conclusion of a contract on additional investments or reinvestment of capital."

#### Article 30

In Article 42 Paragraphs 1 and 3 shall be deleted.

In the previous Paragraph 2, which becomes Paragraph 1, at the end, the period at the end shall be replaced by a semicolon, after which two new Subparagraphs 4 and 5 shall be added to read as follows:

"4) if the provisions of that contract are contrary to the social plan of Yugoslavia;

"5) if the provisions of that contract are contrary to the strategy of technological development set forth in the Socialist Federal Republic of Yugoslavia."

#### Article 31

Article 43 shall be deleted.

#### Article 32

Article 44 shall be deleted.

#### Article 33

In Article 45, Paragraph 2, after the words "at its own discretion" a period shall be placed, and the remaining text to the end shall be deleted.

Two new paragraphs shall be added after Paragraph 2 to read as follows:

"The federal administrative agency for energy and industry may in the proceedings of contract approval obtain not only the opinions referred to in Paragraph 2 of this article, but also those of federal, republic and provincial bodies, the Economic Chamber of Yugoslavia and other federal, republic and provincial organizations, as well as other necessary opinions.

"Federal, republic and provincial bodies, the Economic Chamber of Yugoslavia and other federal, republic and provincial organizations are required to submit the substantiated opinion referred to in Paragraph 3 of this article within 30 days from the date of receipt of the request. If the federal, republic and provincial bodies, the Economic Chamber of Yugoslavia and other republic and provincial organizations do not furnish the opinion within the period of time prescribed, it shall be assumed that the opinion is favorable."

The previous Paragraphs 3 and 4 shall become Paragraphs 5 and 6.

#### Article 34

In Article 4, Paragraph 2; Article 30, Paragraph 6; Article 40, Paragraph 1; Article 45, Paragraphs 1 and 2; Article 46, Paragraphs 1 and 3; Article 47, Paragraph 2; Article 48, Paragraphs 1 and 2; Article 49, Paragraph 1; and Article 51, Paragraphs 1 and 3, the words "Federal Committee for Energy and Industry", in the various cases, shall be replaced by the words "federal administrative agency competent for energy and industry" in the respective case, and in Article 47, Paragraph 3, the words "chairman of the Federal Committee for Energy and Industry" shall be replaced by the words "official who heads the federal administrative agency competent for energy and industry".

In Article 48, Paragraphs 1 and 2, and Article 49, Paragraph 1, the words "Federal Secretariat for Foreign Trade", in the various cases, shall be replaced by the words "federal administrative agency competent for foreign trade" in the respective case.



In Article 50, Paragraph 1, the words "Federal Secretariat for National Defense" shall be replaced by the words "federal administrative agency competent for national defense".

#### Article 35

In Article 53, Paragraph 1, Subparagraph 1, the number "5" shall be replaced by the number "4".

#### Article 36

In Article 55 Paragraph 1 shall be amended to read as follows:

"A domestic organization of associated labor shall be subject to a fine of no less than 30,000 and no more than 300,000 dinars for an economic violation if it does not file its annual report before 30 April for the previous year (Article 51)."

#### Article 37

The Legislative and Legal Commission of the Chamber of Republics and Provinces of the Assembly of the Socialist Federal Republic of Yugoslavia is hereby authorized to establish the revised text of the Law on Investment of the Capital of Foreign Persons in Domestic Organizations of Associated Labor.

#### Article 38

This law shall take effect on the eighth day after publication in SLUŽBENI LIST SFRJ.

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CSO: 2800/144

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**DATE FILMED**

8 Feb 1985